

# How does the **Social Enterprise Model** fit with **Community-led Health Initiatives?**

SOCIAL  
ENTERPRISE



COMMUNITY-LED  
HEALTH



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## Foreword

The Research draws on the experience and learning from a number of mature social enterprises across Scotland and in particular in the Aberdeen area. These organisations emphasise that needs-led and market-led approaches do involve different motivators and drivers. Crucially, the motivating factors must be balanced to achieve the best long term health impact; an imbalance can be detrimental to achieving the desired health outcomes.

The research addresses the characteristics of organisations operating with community development approaches to health improvement and highlights the strengths, tensions and challenges in seeking to develop as a social enterprise.

The Findings demonstrate that social enterprise can have an integral role in helping community-led health initiatives become more sustainable. Significantly, the research also shows the social enterprise model can improve health for individuals and the wider community.

The research is placed within the current policy and practice context and highlights the strategic fit and practice development opportunities to be gained from working as a social enterprise. For example:

*“Some social enterprise models can turn people from passive recipients of services to stakeholders in the organisation and contribute to their own health outcomes.”*

Importantly, the Research also highlights the limitations of the social enterprise model and emphasises where the model is most relevant and where it is less appropriate.

*“Trading should be developed when a market is there to exploit. Where there is no market, or where services and goods are not sellable, then another method needs to be found.”*

### **CHEX 2009**

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# Executive Summary

## Research Question

How does the social enterprise model fit with community development approaches to health?

## Methodology

An overview of the sector of Community-led health was taken which led to a short list of case studies and a two day study visit to the target area of Aberdeen. In addition some health related social enterprises were investigated in other regions of Scotland. The national strategic context in which social enterprise impacts on community-led health was investigated and the specific policy context in Aberdeen was researched to identify if any specific factors exist in Aberdeen that impacts on social enterprise growth.

## Summary of Key Findings

The following is a summary of the 26 findings that are outlined in section 7.

1. Ultimately the vision of what a Community-led health initiative is trying to achieve, and the change it is trying to make, must be kept to the fore. Funding and methods of operation are simply tools to best achieve those objectives.
2. The social enterprise model can increase health gain.
3. Needs-led and market led approaches do involve different motivations. These two motivating factors must be balanced to achieve the best long term health impact. Imbalance can be detrimental to achieving health objectives.
4. Ideally there should be a diversified income stream with a portfolio of trading and grants to be most secure.
5. It is vital that beneficiaries and service users have some involvement in the management and development of ideas and organisations for the social enterprise model to fit with a community development model.
6. On the other hand, non-trading income also affects a pure needs led approach as it comes with an external agenda and parameters. Every grant and statutory funder has its own outcomes to achieve and uses funded projects as their delivery mechanism.
7. Grants restrict the ability to respond to new or altered health concerns. The social enterprise model brings independent income which can be spent flexibly and innovatively, enabling it to respond quickly to changing need.
8. The social enterprise model also allows income to consolidate service delivery and change operations organically rather than in externally imposed cycles.
9. Trading should be developed when a market is there to exploit. Where there is no

market or where services and goods are not sellable, then another method needs to be found.

10. The impact of an enterprise approach to meeting health needs depends very much on the kind of trading and the specific social enterprise legal structure.
11. Using some social enterprise models can turn people from passive recipients of services to stakeholders in the organisation and contributing to their own health outcomes.
12. The social enterprise model for Community-led health will only work if there is the right entrepreneur at the helm, the right skills on the board and the best external support embedded in.
13. An entrepreneurial attitude does not only link to trading but to innovative proactive services. Security (based on statutory funding or grants) can lead to complacency.
14. In discussing which model is most effective, accountability and use of resources is crucial.
15. There is a strong social enterprise sector in the city of Aberdeen, but this is not down to any clear external factors except the oil industry's buying power and their well advanced CSR policies. The new Social Resource Trust may increase the sector in the future.



Launch of the Community Food Initiatives Fair Share Scheme

## 2 Introduction and Methodology

### Introduction

#### The Research Commissioner

Community Health Exchange (CHEX) is the leading agency in Scotland's health sector that provides a resource in supporting community development approaches to health improvement and challenging health inequalities. It also facilitates a network of community health initiatives and works to support them in developing good practice and influencing health and social policies. CHEX is part of the Scottish Community Development Centre (SCDC) which is the designated National Development Centre for community development in Scotland. CHEX is primarily funded by NHS Health Scotland.

CHEX operates at strategic and operational levels. Strategically, it supports community health initiatives in engaging with policy makers and supports an infrastructure, which links community health initiatives, voluntary organisations and public sector agencies in applying effective community development practice to a wide range of health improvement interventions.

#### Purpose of the research

This paper will investigate **'how the social enterprise model fits with community development approaches to health'**. The study will focus on a number of projects in Aberdeenshire where the social enterprise model has been in existence for a number of years within community-led health initiatives. The focus on one local authority area will allow us to identify whether specific local conditions exist in which social enterprise has flourished. However, the research will be embedded within an acknowledgement of national strategy and policy around community development approaches to health and social enterprise.

### Methodology

The commissioner established the parameters of the research including the decision to focus on Aberdeen. An overview of the sector of community-led health was taken which led to a short list of case studies in the target area. In addition some case studies were investigated more briefly in other regions of Scotland. Investigation took the form of telephone and face to face interviews and a two day study visit to Aberdeen looking in detail, on site, at five case studies. Discussion also took place with those who have acknowledge of the sector at a strategic level.

The national policy context in which social enterprise impacts on community-led health was examined and the specific policy context in Aberdeen was researched to identify if any specific factors exist in this local authority area that impacts on social enterprise growth.

A range of support agencies and intermediaries were approached to clarify the national picture at the time of writing.

Findings were then identified from this research, drafts of which were circulated to each case study for approval prior to the completion of this study.

## 3 Strategic Context

### Community-led Health

To understand a community-led approach to health it is important to understand the wider concept of community development. Community-led development is an approach to social change that is based on the premise that changing situations of disadvantage and social injustice cannot be achieved by top-down solutions alone.

A community-led approach to health improvement is concerned with supporting communities experiencing disadvantage and poor health outcomes to identify and define what is important to them about their health and wellbeing, investigate the factors that impact on their wellbeing and take the lead in identifying and implementing solutions. It is an approach which is based on the holistic or social model of health that recognises that many and complex social factors affect people's health. A Community-led approach to health improvement aims to address health inequalities by enhancing the level of control and influence that disadvantaged communities have over the factors that impact on health and wellbeing.

#### **Healthy Communities: A Shared Challenge (2006)**

This is the final report of a task group which was set up to investigate and to report to Ministers in the then Scottish Executive on how to strengthen community-led activity that is designed to achieve health improvement and tackle health inequalities in Scotland. It was given this remit by the then Scottish Executive in the context of its *Closing the Opportunity Gap* (2004) objectives and also specifically of *Improving Health in Scotland: The Challenge* (Scottish Executive 2003).

The Report refers to over 500 community based health initiatives in Scotland. Community control (independent of NHS) and sustainability were the two vital ingredients identified that led to the success of community based long term health improvement. Sustainability is key and recommendation 10 says – “Investigate the appropriate levels of funding required and integrate and simplify funding streams in order to ensure the long-term sustainability of community-led health improvement activity”.

#### **In terms of social enterprise;**

*“The researchers were surprised that only one respondent had a reliance on trading. Social enterprise models for community-led work are perhaps difficult to design, unless the NHS and other bodies begin to contract significant areas of health improvement work to community groups.”*

Recommendations in the report are structured around proposals to build a clear evidence base for action, build in effective planning and partnership working across different disciplines, build the capacity of groups and individuals and finally to address sustainability. The unique nature of independent Community-led health initiatives was recognised and supported as a good model and Health Scotland were tasked with supporting the recommendations.

The Report's recommendations have been taken forward through a number of programmes including 'Meeting the Shared Challenge' a national capacity building programme on community-led, co-ordinated by NHS Health Scotland (HS) and implemented by the Scottish Community

Development Centre and CHEX. Health Scotland are also supporting a programme on the compilation of economic evidence related to community-led health and will host a national conference in autumn 2009.

## Social Enterprise

### Introduction and Definition

#### **Social enterprises are defined as:**

“businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for the shareholders or owners.” (The Social Enterprise Strategy, The Social Enterprise Unit, The Department of Trade and Industry, 2002, p8, repeated in ‘Better Business: A Strategy and action plan for Social Enterprise in Scotland, 2007’).

This seminal definition’s starting point is business. Other definitions are more focused on social, health or environmental change rather than a business model. Parameters rather than definitions may be more useful and the following by John Pearce might be a good starting point<sup>1</sup>.

- achieving the social purposes by, at least in part, engaging in trade in the marketplace
- not distributing profits to individuals
- holding assets and wealth in trust for community benefit
- democratically involving members of its constituency in the governance of the organisation
- being independent organisations accountable to a defined constituency and to the wider community.

A large amount of anecdotal evidence exists about social economy organisations that struggle financially due to dependence on grants. The social enterprise model is intended to serve as a more sustainable alternative for voluntary sector groups by ensuring continued financial viability through trading income. Thus the high value services that they deliver will not get lost if grant funding comes to an end.

However, these groups often suffer from a lack of business skills and confidence to transform into successful social enterprises. Indeed, processes of organisational change, required to transform an organisation into a social business, are usually complex and slow.

It is thus critical that social economy organisations have access to appropriate, long-term business support that can boost confidence, counter skills shortage and assist in managing organisational change.

### Background and History

Joint economic ventures by community groups for social benefit have a long history. Throughout the emergence of the contemporary economic model, Social Enterprise has always been part

1. Source: “Social Enterprise in Anytown” by John Pearce

of the mix. This can be seen as early as the Diggers and Levellers movements in Cromwell's time. Robert Owen in 1816 and New Lanark Mill were followed by the Rochdale Pioneers in 1844, from which grew the Cooperative Movement.

Recent decades have seen accelerating political interest in Social Enterprise and significant growth of the sector. With political diversification away from the two party system's traditional advocacy of public versus private ownership, today all parties express support for Social Enterprise as a significant model. Crucially the SNP administration in Scotland has championed the sector as a way of both achieving social change (including addressing health inequalities) and sustainable economic growth.

The DTI Small Business Service survey (July 2007) shows that Scotland has 7% of all businesses and 7% of Social Enterprises. Based on this, there are 1,100 Social Enterprises in Scotland, with £1.26bn turnover, 20,900 employees and 18,500 volunteers. Anecdotally this is viewed as a large underestimate with the figure being nearer 3000 enterprises which is the figure used in current Scottish Government strategies and documents.

## **Infrastructure and Support**

The Scottish Government is currently initiating discussion on a single third sector interface which will reorganise support to the voluntary sector and social enterprises. This may change the nature of Scottish infrastructure support, but currently the picture can be summed up as follows:

**The Social Enterprise Academy** offers Social Enterprise leadership training.

**The Scottish School for Social Entrepreneurs** has a Fife campus at BRAG at Crosshill, Lochgelly, which supports new and developing Social Enterprises. They are on the verge of expansion to new areas initially in the central belt.

**The Scottish Social Enterprise Coalition** advocates and lobbies on behalf of the sector.

Heriot Watt and Stirling and Strathclyde Universities offer support and courses in **Social Enterprise development**.

**Senscot** is the Social Entrepreneurs Network Scotland bringing entrepreneurs together to support each other and develop the sector. Their particular role is to recognise the contribution of individual leaders in tackling injustice and to support them and their endeavours. To do this they produce information and have developed social enterprise networks across the country including Aberdeen.

Senscot has been particularly instrumental in establishing **Local Social Enterprise Networks**, which are bottom up peer support bodies (geographical and thematic) which encourage the development of the sector. Health is one of the thematic networks which has grown in effectiveness in recent years linked to a yearly Fit for Purpose conference.

**Local Social Economy Partnerships (LSEPs)** exist to support the growth of the social economy by improving co-ordination across partners, facilitating local networking, strengthening the range of locally available support and unlocking market opportunities for new and existing social economy organisations.

**Community Food and Health Scotland** offers small grants and additional support for social enterprise initiatives around food and health.

**First Port** is a new agency which intends to be the ‘first port of call’ for new and emerging enterprise ideas. It provides small start up grants and signposting as well as initial development support.

**Social Investment Scotland (SIS)** was established to provide loans and business support to emerging and existing social enterprises in Scotland. SIS aims to stimulate the demand for loan finance in Scotland’s voluntary and charity sectors and to improve the levels of business development assistance available.

**Development Trust Association Scotland (DTAS)** is the national body for development trusts in Scotland and supports a specific model of social enterprise based around business established to promote geographical community regeneration.

**Social Firms Scotland** supports and promotes the creation and development of social firms throughout Scotland, to create employment for disabled and disadvantaged people.

**HIE Growing Community Asset (GCA) Consortium** is a consortium of organisations led by Highlands and Islands Enterprise and including CEiS, Forth Sector and Social Investment Scotland, which provides capacity building and development support to community-led organisations that are interested in accessing grant funding through the Growing Community Asset strand of the BIG Lottery. This unique programme is one of the first in Scotland to link ‘investment with support’ to ensure higher-quality applications

**Community Enterprise in Strathclyde (CEiS)** provides a number of development services to the social enterprise sector.

**Community Enterprise** is a charitable company with a trading subsidiary earning most of its own income through consultancy and training divisions all of the profit is used to provide subsidised services to organisations wanting to move into or develop their trading to secure the sustainability of front line services.

**Community Recycling Network Scotland (CRNS)** offers development advice to members and some of this will be focussed on the development of enterprise activity.

**Business Gateways** support enterprises that are fairly well developed.

**The CVS Network** has a remit to support community and voluntary organisations including social enterprises.

**Aspire to Enterprise** is a government funded contract which is led by CEiS where existing social enterprises (trading around a £60,000 turnover with a 3 year trading history) can receive on average 8 days of consultancy support from a range of support agencies.

## **The Pipeline**

The vision of the Scottish Government is to create a pipeline of support where social enterprises enter as new and receive support from First Port. They then grow and are given support from the Aspire to Enterprise programme leading to more investment (perhaps from new

funding streams such as the Enterprising Third Sector fund). Further growth develops them to the point where they have the size and capacity to receive one to one support from Business Gateway until they are large enough to become account managed by Scottish Enterprise since they are now bringing in significant financial and social impact to Scotland.

The reality on the ground does not always meet with this neat vision.

## **Policy and Strategy**

In the January 2003 'Scottish Executive Review of Policies to Promote the Social Economy', there was little distinction between Social Enterprise and a wider Social Economy. Closing the Opportunity Gap social inclusion objectives were launched in July 2004 along with 'A Smart Successful Scotland, 2004'. Futurebuilders Scotland was then launched in December 2004 on the back of this and granted an £18 million investment into the sector. The Executive published a Strategy and Action Plan for Social Enterprise in 2007 just prior to the last elections. The SNP administration adopted and supported this plan and John Swinney, Cabinet Secretary with responsibility for both social enterprise and the voluntary sector, decided to embed social enterprise within the wider 'social economy'. This culminated in the publication of the 'Enterprising Third Sector Action Plan' in 2008.

Following the most recent spending review, this Action Plan was supported by budgets of over £90 million.

The plan states "Our vision is of social enterprise as a dynamic sustainable and credible way of doing business, delivering services and actively improving our communities". The strategy outlines an action plan to finance the sector, provide business development support and maximise market opportunities such as via procurement.

There is a clear vision for procurement to be opened out to the wider social economy. Community benefit clauses are being considered as an across the board element of all tendering which would give social enterprises a fundamental advantage in tendering for public services including significant health contracts. For example 10% of the scoring for all tenders for contracts in relation to the 2014 Commonwealth Games is scored against community benefit.

The Scottish public sector is under pressure to tackle barriers to participation in public contracts. This work has resulted in a number of important initiatives including the Suppliers' Charter which sets the tone for public sector procurement and the Public Contracts Scotland portal.

Public Contracts Scotland is a centrally-funded portal that is being set up to meet the demand from businesses in Scotland for better access to public contracts. It will be rolled-out to suppliers and public bodies across Scotland in the coming months and will provide information on public contract opportunities in Scotland. As the portal is rolled out to over 185 public sector organisations in Scotland, suppliers (including community-led health initiatives who maybe able to tap into NHS contracts) will start to see a wide variety contract opportunities appearing on the website. (<http://www.publiccontractsscotland.gov.uk/>)

Alessandra Buonfino of the Young Foundation said recently 'It is relatively easy for a business to be accountable - to its shareholders. And it is relatively easy for charities to be accountable too - they are there for the public good. But it is a lot more complicated for social enterprises to bridge the ambiguity of accountability - who should they be accountable to?'

Susan Rice (CEO of Lloyds TSB Scotland) speaking at the recent Social Enterprise World Forum maintained that private corporations should be doing social good, but social enterprises must trade to make social good sustainable.

## Funding<sup>2</sup>

A large range of grant funders have over recent years geared funding towards the development of social enterprise. This has included Esmee Fairbairn, the Scottish Community Foundation, Lankelly Chase Charitable Trust, the Big Lottery, the Coalfield Regeneration Trust and others.

In addition a range of sector specific loan funders exist to invest in social enterprises including Social Investment Scotland, the Charity Bank and Triodos as well as smaller community development finance initiatives.

Most recently, the Scottish Government has announced two new funding streams; the Enterprise Fund and Scottish Investment Fund. These combine loan and grant and are aimed at promoting the sector.

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2. see <http://www.ssec.org.uk/files/FundingForSocialEnterprises.pdf>

## 4 Case Studies in Aberdeen

Set questions were sent to each of the case studies in advance and they were given the opportunity both to respond in writing in advance and to consider the issues prior to the visit. The list of guide questions is appended at Appendix I.

### Community Foods Initiatives North East

The organisations aim is to improve health and well being and contribute to regeneration in disadvantaged and excluded geographical and interest communities by promoting the consumption of fruit, vegetables, pulses and other healthy products and encouraging and supporting volunteering which brings a range of personal, family and community benefits. The particular activities employed to support the above are Community Food Outlets, FareShare and the Fast Fruit Scheme.

There are presently around 50 Community Food Outlets operating in Aberdeen's regeneration areas (Fersands, Printfield, Middlefield, Torry, Northfield and Cummings Park) and also in the Mastrick area, the Alford Centre (for people with mental health problems) and in a number of sheltered housing complexes. These outlets provide fresh fruit, vegetables and dried goods at as affordable as possible prices to the local community. Currently they use WELFED in West Lothian to source food which is delivered to Aberdeen



CFINE delivering fresh produce.

**Fast Fruits:** provides fruit (and vegetables in a few cases), to over 90 nurseries, schools and other youth and community organisations.

**FareShare:** CFINE has developed a FareShare scheme in Aberdeen whereby supermarkets' and food producers' surplus foodstuffs are collected and distributed to people experiencing food poverty, for example, facilities for people who are homeless, women who have experienced domestic abuse and in the regeneration areas. They forecast that 10 tonnes of produce would be distributed in year 1 but distributed over 20 tonnes. 50 tonnes are forecast in 08/09.

**Social Enterprise:** CFINE also operates as a Social Enterprise selling fruit, vegetables and other produce on a commercial, but competitive, basis. CFINE is now supplying fruit to a number of companies many of which participate in Scotland's Healthy Working Lives. All profit is invested in the health and community development work they do in disadvantaged and excluded communities.

CFINE is now delivering to one oil company in each of Inverurie and Ellon and supporting CFO's in Braemar and Peterhead. They have recently secured some regeneration finance which will support further development in Peterhead and Fraserburgh.

Their projected turnover this year is around £650,000 with around £400,000 coming from trading.

CFINE have also recently received some investment from NHS Grampian to develop their services and support. This has commenced with considerable interest in a range of locations.

CFINE have a staff team of 13 and 50 volunteers who have largely been recruited from the priority communities since employment creation and regeneration is an additional goal.

The interviewee has been involved in social enterprise development in Aberdeen for many years. CFINE is rooted in the early work of the Foyer and its core purpose was to bulk buy quality fruit and vegetables and distribute it to a network of food co-ops across the north east. An evaluation and business plan in the 1997 led eventually to the establishment of CFINE as it is at the moment.

The outlets it serves just now are simply food outlets, not food co-ops in the traditional sense. This enabled the organisation to achieve charitable status for the encouragement of healthy eating and lifestyles. They have now established a wholly owned subsidiary to enable them to maximise profit from activity that OSCR would not view as charitable.

With new premises and a bigger lease, there was an obvious driver to bring in more money. A contract to supply one oil company with fruit and vegetables was the first step and trading has grown from there. The need to grow trading is simply common sense as there is a market there that not only draws in finance, but meets the core purpose of the charity. "Having independent income means you can control your own destiny – not go cap in hand to grant funders". Not only is this an attitude issue it can be a resource one. There is a view that becoming involved in enterprise and trading can take eye off the ball of meeting community need. In fact, in pure manpower terms, applying, negotiating and monitoring grants is far more onerous and time consuming. It is also much more restrictive in terms of what the charity is allowed to do. "The days of waiting for grants are gone". The social enterprise model allows development which efficiently meets need as it emerges. Grants are also time limited, ending when the programme ends. Earned income has no end and therefore puts the core organisation on a firmer footing. Grant funders want to largely fund new initiatives and innovation when really what is needed is long term consolidation and growth of core work. The social enterprise model allows that to happen.

Undertaking this enterprise activity directly impacts on poor health and poverty. The price they charge is not a barrier to those on a low income purchasing it. However the vision is that if other income generating elements become more profitable, that this food can be subsidised to further promote healthy eating.

This is not, however, a model that should be advocated everywhere. Any organisation should look to see if there is a market for what they can sell, if they can compete in that market and crucially whether the board and staff have the confidence and skills to work in that sector. In CFINE's case the market for quality healthy fruit and vegetables is growing across all demographics and there is both grant subsidy and trading opportunities available.

The services they provide are based on need, even though they are charged. For example many of the supermarkets offer free transport. However many people, particularly single parents and those who have not had a robust up-bringing have not developed wise buying skills and would struggle with accessing good food in a supermarket.

The core goals of the organisation are to improve health and well-being and to regenerate areas of deprivation. This is achieved by improving diet and offering substantial volunteering and employment opportunities. Everything else, including enterprise activity is aimed at those objectives. "This is the reason we do social enterprise – to put anti-poverty work on a more sustainable footing."

In addition, CFINE is involved in the National Food Network. A report published in 2008 “National Development and Growth Strategy for Community Food Networks in Scotland”. This report recommends economies of scale, including wider bulk buying, creating a training and development centre and setting up a body which could advocate for consortia tendering for larger contracts which individual groups would not have the capacity to do. There is estimated to be £7 million worth of fruit and vegetables used in the NHS for example.

There is a danger to trading. It can become ‘seductive’ and controls need to be in place to ensure a good balance of financial and social outcomes. A key piece of advice is that if the core purpose of an organisation is not sellable, don’t trade, or find something else that is. The health purpose needs to be kept to the fore. If profit is achieved, the question is what is done with that profit.

CFINE openly use the health impact of their work as a marketing tool to the corporate social responsibility buttons of corporations. However price, quality, reliability and services are the priority in sales and marketing.

## Foyer Enterprise

The Aberdeen Foyer works to improve the lives of those experiencing homelessness which includes addressing a range of mental and physical health problems.

The Aberdeen Foyer offers supported accommodation linked to learning and employability schemes. This is based on need that emerged from the individuals who were assisted as part of the accommodation services as well as through demand from the Department of Work and Pensions which contracts them for programmes such as Training for Work and Get Ready for Work.



The Foyer restaurant is one of the best places to eat in Aberdeen.

To promote independence and employability as well as to contribute to sustainability, they operate a trading arm which consists of a portfolio of businesses.

**The Foyer Restaurant and Gallery** is widely acknowledged as one of the best restaurants in Aberdeen and the Gallery is an established venue for art exhibitions.

**Foyer Graphics** is a graphic design company specialising in design for print, web design, corporate branding and all areas of creative consultancy and development.

**Foyer Drive** offers a comprehensive range of safe driving packages to suit individual and corporate needs, emphasising the importance of road safety.

**The Ben & Jerry’s Partnership** sells ice cream, coffee and waffles etc and offers training and employment to unemployed young people.

Their new restaurant, **The Foyer at HMT**, opened in January 2008.

They also operate a **Maintenance Team** which does a variety of tasks for Registered Social

Landlords, local authority and private individuals.

The organisation also manages **Foyer Health**. This is based on the need that emerged from work undertaken in core services offered to young people at risk of homelessness. A lack of access to crucial health services especially related to mental health. This is largely grant funded at the moment from a wide range of funders including NHS and homelessness strategy funding. Now that that funding is coming to an end and the need remains, the Foyer is undertaking a review of this element of their work to see what can be commercialised to ensure the sustainability of the health outcomes. Though only some of the services can become commercialised products, they may be enough to fund the bulk of the health programme. One potential product is being called “sorted in the kitchen”, a manual to help young people eat healthily on up to £15 per week. This product is potentially sellable but is rooted in the needs of the beneficiaries of the organisation.

The interviewee view was that it was possible to follow markets and income generating opportunities while still impacting on health. The vital issue is to ensure the right balance between commercial clients and core beneficiaries. Ultimately the services need to be funded and therefore income needs to be brought in to help it run without adversely affecting the health and/or social purpose.

Income generating ideas should be undertaken by organisations where activity is within their range of experience. As a result it is better if health related organisations can commercialise services they are already good at. In addition, these are likely to be a combination of trading and grant income to secure service delivery.

The interviewee pointed to two Social Return on Investment (SROI) studies which were done on health orientated social enterprises because of the health cost saving. One was done on Solstice in Aberdeen and the other on 6 Mary’s Place in Edinburgh which both showed significant health impact. Mary’s Place<sup>3</sup> for example showed a £24,000 saving for each person each year on what would have been spent on statutory health services if they were not involved in the social firm. It is clear that the social enterprise model increases health gain.

What must be taken into consideration however is the different potential fit of social enterprise with different models of social enterprise (social firms, acquisition, co-operatives, wholly owned subsidiaries and so on). Social Firms are particularly well geared up for mental health gain due to the model being based around the employability of those distant from the employment market. A secure real job brings mental health benefits. Each organisation should found all that they do on their core purpose. If that is community-led health then social enterprise must be one tool that achieves that end.

The benefit of social enterprise, in the experience of this organisation, was that it gives independent income and an ability to address needs quickly and flexibly. If a need is identified and grants need to be secure to meet certain outcomes, by the time a bid is written, and money secured, that need can easily be a year out of date and perhaps very different.

3. A guest house where a significant proportion of the staff have mental health issues.

## Green Tracks

Green Tracks is a social firm operating in the Landscaping, Maintenance and Conservation fields. They employ a percentage of people who have previously been disadvantaged from the workplace and promote equal opportunities. Additionally they provide work experience and training for those recovering from mental ill health through individually tailored programmes. Their mission statement, “Improving Lives and Landscapes”, highlights their commitment to take social responsibilities seriously, without compromising on the quality of their services, or products.

Green Tracks provides a complete **landscaping** service to commercial and domestic customers and, where possible, use reclaimed, recycled or sustainable products at all stages. They offer a wide range of landscaping services including complete garden makeovers, fencing, decking, patios, paving, rockeries, turf laying, paths earth works, tree surgery, raised beds and planting.

They also offer a dedicated **maintenance** service to both the commercial and domestic. Services include clearances, lawn mowing, weeding, tree and shrub pruning, planting, one-off tidy-ups and hedge trimming

As a company, Green Tracks is dedicated to the **conservation** of the countryside and wildlife habitats, while promoting awareness and encouraging environmental responsibility within local communities. Their customer base includes Aberdeen City Council Ranger Service, Scottish Natural Heritage and Forvie Nature Reserve and their work may involve preserving Sites of Special Scientific Interest. They undertake work in many areas, such as gorse or heather clearance, arboriculture, boardwalks, path networks fencing and knapsack spraying.

Similarly to the Foyer, the health benefits come here from giving a structured and supported workplace that is real to those with health problems that have distanced them from the job market.

## Inspire

**Café Coast** is a new, modern Café/Bistro located on Aberdeen’ Beach Boulevard. As a social firm Café Coast offers training and employment opportunities to people with learning disabilities and other support needs.

Currently they are open Mon-Fri but plan to open 7 days and evenings in 2008. Cafe Coast will transform into a Bistro by night providing a more intimate dining experience.

**Inspire conferences** is a brand new meeting and conference venue with a difference. As a social firm they offer training and employment opportunities to people with learning disabilities and other support needs.

They have a variety of rooms and suites for hire, all finished to the highest specifications. Located on Aberdeen’s Beach Boulevard, the venue is easily accessible

The interviewer pointed out that the private sector is as uncomfortable with social enterprise as the grant dependent voluntary sector is. The priority is sustainability – “making sure the organisation washes its face comes first”. There is a hard choice between engaging in income generation or closing front line services.

It was noted that there is a clear distinction between the profit motive and the social motive. Often this conflict exists within an organisation and can be a healthy one. For example Inspire has a Social Enterprise Manager whose job it is to develop the business. It also has an Employability Manager whose job it is to ensure the needs of adults with learning disabilities are addressed through good employment and training experiences. In this instance, the employability element works at a loss as there are currently no placement fees being paid. As a result it is a pressure on the business that affects profitability but is allowed to happen because it meets the core objectives of the charity. Internally these two people will have overlap but essentially different agendas. This conflict can be a good thing to ensure the vision is at the core of everything, but sustainability is crucial to allow it to happen.

This organisation has a core charity with a wholly owned subsidiary (Inspire Ventures) with over 600 staff in total and 500 projects across the North East. This structure allows the subsidiary to maximise income generation and look into other business opportunities such as business acquisition (perhaps of a successful family business that is not being passed on), or new business start up. The charity owns the asset and the subsidiary pays a rent and employs most of the staff. The staffing costs are largely covered by income generation and the subsidiary hopes to break even in its second year at the latest. Despite this being the trading subsidiary, it employs individuals with a learning disability and as a result pays staff higher than average salaries due to this extra support element. As a result they need to recruit staff with the right skills and values who will buy into the vision of the whole organisation. Any profit goes straight to the core charity.

There is a spill over of skills and the main charity board have developed a well advanced entrepreneurial aptitude. It is crucial that any agency who wishes to embark on this road should have a strong board with good business skills.

The main reason for starting the enterprise activity was not mainly to make money to secure at risk services. The charity was cash rich and asset poor and therefore wanted to invest in a building that would use that money more effectively to generate income and provide placements for beneficiaries. The core charity is funded by a cocktail of money from grants to service level agreements to placement fees from Social Work. They have a fundraising manager who looks after this element of the organisation.

There were no external elements in Aberdeen that have allowed enterprises to flourish, except the fact that Aberdeen has a buoyant economy and oil companies not only buy from social enterprises, but support them via their well advanced Corporate Social Responsibility policies. The Council and the Scottish Government are supportive of what they do and are keen for them to look at running other enterprise activity.

Inspire Ventures uses the social impact as a useful marketing tool which meets the demands of a rich local economy with a clear CSR policy.

## Opus Of Aberdeen

This is a group of social enterprises run by Turning Point Scotland providing high quality services to the general public while profits are used to support those with mental health problems. Referrals come from Momentum and Job Centre Plus as well as self referrals. No placement fee is paid and the enterprise pays £20 per week to placements from their own income genera-

tion. The enterprises offer a supportive working environment, work skills training, a choice of work settings and a real world business approach. Supportive staff are in place to assist people to reach their potential and cope with this working environment. A project worker assesses each potential worker, gives regular (13 weekly) reviews and guides them to source external mainstream training and work.

Their mission is;

“ to promote the independence of individuals who are disadvantaged in the labour market through the provision of training, work experience and employment” and to “reduce the enterprises dependency on funding by generating our own income by producing and selling high quality, good value products to the general public through our commercial outlets.”

**Opus Gifts** sells high quality gifts and crafts and original art work from a range of local and international artists.

**Opus Picture** is a framing service for all types of art work including sports shirts and tapestries.

**Opus Craft Workshop** offer hand made greetings cards, bespoke wedding stationary or party invitations, a cushion making service, hand-made bags, children’s smocks and other items.

**Rosies Café** is a day time community café specialising in home-made soup and cakes and scones, freshly made daily, on the premises.

**Rosies-2-Go** Sandwich & Buffet Service offers a service to Aberdeen City delivering high quality good value business lunches and buffets.

The interviewee confirmed that there was a potential conflict in operating a social enterprise model. Profit motive and the desire to support those with a mental health problem can be competing pressures. Social enterprise is trumpeted as the new hope for the third sector, but it is clear that there is a down side. This is rooted in the history of Rosie’s café which nearly closed recently due to focussing too much on giving placements to beneficiaries. One of the consequences was that the café was frequently shut at short notice to accommodate the workforce, but this confused the general public.

At that time, there was no clear assessment of placements. Assessment is now much better and as a result there is a much stronger staff team and a more successful business. This in turn has direct health benefits for the placements but inevitably has resulted in some people being rejected who otherwise may have been given a place. Placements are now therefore set up to succeed rather than fail. Since there is a portfolio of businesses, those who are not suitable to work in the café may be better suited to working in the picture framers or to make crafts for sale in the shop.

There are currently places for 20 services users in the café on a rota basis, but there are 10 at the moment. The assessment process can result in the business struggling to find enough of the right people. Since this is a ‘real’ business operating commercially in the marketplace to place inappropriate individuals would both impact on the business and on the mental health of those individuals. It is crucial however to ensure that there are as high a number of individual supported placements as possible otherwise the benefit is too small compared to the cost and

effort of running a business. Normally, a mainstream business of the size of Opus's enterprise will limit staff as much as possible, especially in the early stages. Due to the need to benefit health, this is not the case here which adds extra pressure on profitability.

There is a part time Employment Support Worker who is often called upon to serve in the café and therefore the resource to support people is limited.

The ethos of these enterprises is to move people on using a person centred approach and the 'recovery model'. The system of residential institutions made people dependent because nothing was expected of them. The social enterprise model expects a great deal and, with the right support, can genuinely make a huge impact on the health of those who are distant from the job market. Social enterprise can act as a kind of half way house between being a dependent service receiver to living independently in the community.

This model of time limited placements based on the motivation to move staff on to real jobs in the mainstream market can also be detrimental to the business. In mainstream catering outlets (and most businesses) staff development, up-skilling and retention is crucial to give stability to a business. Staff retention here is impossible because as soon as they are stable and skilled, they are encouraged to move to jobs in the mainstream market. In addition, the project spends time and resources encouraging individuals to form relationships and create networks to allow them to build up coping mechanisms. This again is not a relevant activity in a mainstream business.

All the Opus enterprises work at a loss (less than 50 % sustainable) and other funding comes from the Big Lottery, NHS (resource transfer) and Aberdeen City Council. This is likely to be cut by around 20% due to funding issues in the Council. Their core purpose is to benefit long term health and well-being through employability. There is no objective to make profit to gift aid to the core charity. However, money needs to be made to cover a significant proportion of running costs. Social enterprise is not the answer to all the problems of sustainability. It is highly likely that the Opus business will always need to be subsidised.

Rosie's to Go, the outside catering business was funded by a kick start grant from Futurebuilders with a view to it becoming self-sustainable.



Dish of the Day!

This has so far not been possible and there has been a need to retract services and staff and embed the business within Rosie's café.

One of the main reasons that the business plan was not successful was that it was written by staff with well developed social aims, and limited business knowledge. This process (and any one who runs a social enterprise) needs to balance social aims and business reality for it to work well. If those competing motivations sit together and a compromise is reached, that is where social enterprises are most successful.

Opus uses the health impact as a marketing tool. This not only may help with drawing in business, but if done discreetly, can encourage integration of those distant from the labour market and break down barriers between those with and those without mental health problems. Rosie's café attempts to add benefit by sourcing stock from other social enterprise such as CFINE and the Breadmaker (another Aberdeen based social enterprise which uses adults with learning disabilities in their workforce).

Placements are assessed every 13 weeks to identify development and health improvement. A formal scale is used to track confidence and self esteem as well as hard skills such as catering and customer care.

Because of this crucial focus, they have turned down contracts. For example there is a potentially lucrative market for hot food outside catering. Rosie's to Go attempted this, but the supported workforce found this too stressful so the enterprise has decided not to trade in this market. In this instance the business case clashed with the beneficiary need and it was that need that founded the decision.

## 5 Case Studies outside Aberdeen

To help illustrate the range of health related social enterprises that operate nationally, a short list of case studies from other areas have been identified.

**Case Study 1**, the Engine Shed in Edinburgh, trains and employs adults with learning disabilities with objectives focussed on employability. They also operate a café and bakery that promotes healthy eating.

The Engine Shed was established in 1989 to offer people with a range of learning disabilities a training provision that would successfully address key areas towards helping them make the successful transition into the world of paid work. The Engine Shed is part of the international movement of social therapy, whose philosophy based on the work of Rudolf Steiner recognises the interdependency of each to create a vibrant and healthy society.

The business operates a successful café, shop and bakery and is well known in Edinburgh for its production and nationwide distribution of tofu, amongst other products. A market has also been built around the vegetarian, healthy eating experience and customers will keep returning as much for the quality as for the fact that they know they are helping to support people with learning disabilities. Since the end of substantial European funding the business has had to develop while keeping its core values intact. It is able to offer services to those with support needs and focus on healthy quality food while generating working profit. This is done via the café on site, the distribution of food to quality retailers such as Harvey Nichols and by way of outside catering and hospitality.

An interview with the Engine Shed's manager confirmed that extra staffing ratios and costs add pressure to the business and impacts on profitability but this sacrifice of profit for health and social gain can attract grant subsidy.

**Case study 2**, Stepwell is a new social enterprise company operating in Inverclyde that started its days as a fully grant funded Healthy Living Centre. When that funding was coming to an end the manager took the bold move to establish a social enterprise and embark on drawing in the required income from trading following an initial period of start up funding from lottery underspend. This trading takes the form of service level agreements and services achieved through competitive tendering as well as selling services such as cookschools and stress management sessions to the private sector. The experience of this enterprise is that selling to the corporate sector still enables those on a low income who are working there to benefit from health promoting activity. As a result income generation and health impact go hand in hand while they also have grant or SLA funded programmes for services that are not sellable in the open market.

**Case Study 3**, The Annexe Healthy Living Centre operates a range of direct trading services including a café (drawing in around £30k per year), a facilities arm (drawing in a further £30k per year) and a Management/ Capacity Building Support programme (currently earning around £5000).

**Case Study 4**, COPE in Drumchapel undertakes a range of stress management services many of which are aimed at private companies who pay a commercial rate. These include Counselling, Group Work, Alternative Therapies, Mentoring, Volunteering, Crisis Support and

Mental Health First Aid. They have a turnover of around £140,000 per year. All their services directly address health problems.

**Case Study 5**, Castlemilk Stress Centre provides a Sickness Absence Management service consisting of 6 sessions of complimentary therapy. They also offer Stress Management training for senior management.

The Training and bespoke stress reduction programmes has earned them around £40,000.

## 6 Policy and Strategy Framework in Aberdeen

Interviews took place with some of the key players in the sector at a strategic level including Scottish Government, AVCO, Aberdeen City Council and representative of those operating enterprises in the city.

Aberdeen has a Local Social Economy Partnership (LESP). The Aberdeen City LESP has just applied to the Scottish Government for a “3rd sector Division funding grant, which is in the process of being assessed.

Some of the above agencies are in the process of creating a different model influenced by an organisation based in Leicester called TREES. In Aberdeen, this has been called the Social Resource Trust (SRT) which is a company limited by guarantee but which has no staff, premises or assets and therefore operates as almost a virtual company. It also has some similarities to the umbrella organisations that sit over social co-operatives in Italy in that it exists to share support and bring people together. It has become involved in facilitating collective purchasing (for I I organisations) and may enable enterprises to come together as consortia to bid for larger contracts publicised by Scotland Excel. It also has started to operate as a business incubator and may take on some of the functions of a Local Social Economy Partnership.

One view is that this SRT could be a vehicle to develop further Social Enterprises and the wider sector.

There is a high volume of social enterprises within Aberdeen many of whom received support from the local authority. The Council are looking to save £50 million this year. As a result, as well as the concerns about funding cuts, some services may be contracted out by the Council to try to save core costs. The SRT may help to maximise some of these potential tendering opportunities.

AVCO support Social Enterprises and voluntary organisations and in many cases they need similar support and advice including training, business development and so on.

## 7. Findings

1. Ultimately the vision of what a Community-led health initiative is trying to achieve and the change it is trying to make must be kept to the fore with funding and methods of operation simply tools to best achieve those objectives.
2. However in some circumstances there is a hard choice between engaging in income generation or closing/retracting front line services.
3. It is clear that the social enterprise model can increase health gain. This has been evidenced by Social Return on Investment studies as well as the case studies looked at here.
4. Services can meet health needs even though they are charged for.
5. A value (and a sense of engagement) is placed on health initiatives when they need to be paid for by an individual, their employer or as part of a contract.
6. Needs-led and market led approaches do involve different motivations. Sometimes these two motivations have to be wrestled with by one individual, while in other organisations separate staff (eg, a Business Development Manager and Trainee Support Worker) must work out that conflict for the benefit of the organisation and its core purpose.
7. Anyone who runs a social enterprise needs to balance social aims and business reality for it to work well. Where those competing motivations sit together and a compromise is reached, that is when social enterprises are most successful.
8. More than one respondent noted that there is a danger to trading. It can become 'seductive' and one can lose sight of the health goals. Controls need to be in place to ensure a good balance of financial and social outcomes.
9. A Community-led approach to health improvement aims to address health inequalities by enhancing the level of control and influence that disadvantaged communities have over the factors that impact on health and wellbeing. As long as those beneficiaries are still involved in the management and development of ideas and organisations, the social enterprise model can fit within this approach in the same way as other tools. Where it becomes incompatible is when those either from outwith the area, or thematic groups, or individuals from statutory services have control over the outcomes and methodologies of an organisations seeking to impact on local health.
10. If trading is not used to pay for a service, then it has to be grant funded. The funding of needs led health initiatives in this case still comes from an external agenda since every grant funders has its own outcomes to achieve and uses funded projects as their delivery mechanism. As a result, though these outcomes can be aligned, they are not truly needs led as an external agency is imposing parameters.

11. In addition, grants by their nature are (compared with income based on trading) medium to long term. A project will be based on research and needs assessment from a specific time which will form the basis of one or more funding bids. These bids will take time to be assessed and once agreed may run for up to three years. In this timescale, the need may have altered but they lack the freedom to change the service in the short or medium term and respond to new or altered health concerns. As one respondent noted, “having independent income means you can control your own destiny – not go cap in hand to grant funders”
12. Grant funders want to largely fund new initiatives and innovation when really what is needed is long term consolidation and growth of core work. The social enterprise model allows that to happen.
13. Further, the administration of securing, managing and monitoring a grant can be onerous, taking resources away from managing core health activity.
14. Where a trading model is used, the high value of services that are delivered will not get lost overnight as happens when grant funding comes to an end. There is generally more of an ability to scale up or down rather than the all or nothing approach that grant funding brings.
15. Trading should be developed when a market is there to exploit. This is a common sense approach to bring in required income. Where there is no market or where services and goods are not sellable, then another method needs to be found. Where only some services can be commercialised, the hope is that this will at least partly subsidise those services that cannot.
16. All the enterprises here use the health impact as a marketing tool to sell goods and services in the private sector,
17. Community-led health enterprises must be prepared to either not tender for contracts or turn down contracts or work that will bring in finance, but will be adversely detrimental to the health aims.
18. The impact of an enterprise approach to meeting health needs depends very much on the kind of trading and the specific social enterprise model. The following are some examples;
  - a. Health services being traded directly either paid for per intervention, or sold as a block via a route such as service level agreement. In this case activity both achieves health impact and generates income. The SLA route can replicate some of the difficulties around grant funding while selling interventions individually can be seen as health services no longer being free at the point of need. Most enterprises which undertake this kind of activity either trade in services that are additional to core NHS provision, or more likely find routes (such as selling to employers) to ensure the fee is paid, but users receive the service free.
  - b. An entirely unrelated product being sold within a trading subsidiary, the profit of which is used for Community-led health. The consequences of this are that

time and resources are diverted to trading rather than promoting and addressing health. The most successful health orientated enterprises are those who trade in the area of their own expertise.

- c. Social firms<sup>4</sup> are an ideal model. Here those with a range of health issues including mental health problems are offered a real job in a real workplace. This contributes to self-esteem, confidence and better mental health. In this case the health benefit rests in the employment and therefore the kind of business is irrelevant.
  - d. Health oriented social co-operatives would also be a good model, though they are not well advanced in this country and none of the case studies are structured this way. Here an organisation is intrinsically owned and controlled by its users and stakeholders.
19. Using some social enterprise models can turn people from passive recipients of services to stakeholders in the organisation and contributing to their own health outcomes.
  20. In Community-led health, social enterprise should be seen as one of many tools to achieve health benefit and to achieve sustainability rather than first a business model. Ideally there should be a diversified income stream with a portfolio of trading and grants to be most secure.
  21. However, organisations and individuals who are being encouraged down this route often suffer from a lack of business skills and confidence to transform into successful social enterprises. Indeed, processes of organisational change, required to transform an organisation into a social business, are usually complex and slow. Good business support is required to make this transition work.
  22. The social enterprise model for Community-led health will only work if there is the right entrepreneur at the helm and a board with the right skills, experience and attitude.
  23. An entrepreneurial attitude does not only link to trading but to innovative proactive services. Security (based on statutory funding or grants) can lead to complacency.
  24. In discussing which model is most effective, accountability is crucial. Where are resources (financial, time and personnel) of an organisation going and where is the income being expended?
  25. There is a strong social enterprise sector in the city of Aberdeen, but this does not appear to be down to any clear external factors except perhaps the oil industry's buying power and their well advanced CSR policies.
  26. The new Social Resource Trust may increase and develop the sector in the future once it has established itself.
  27. There is a huge range of agency support, opportunities for peer support and funding to develop the social enterprise sector.

4. 'market-led businesses that are set up specifically to create employment for people disadvantaged in the labour market (ideally over 25% of the workforce)'

# Appendices

## Appendix 1 – Aberdeen Social Enterprise

## Appendix 2 – Case Study Base Questions

The following questions were sent to each of the case studies in advance and they were given the opportunity to respond in writing in advance and to consider the issues prior to the visit.

1. Can you briefly summarise the history of your organisation and the specific health/social impact you aim to make?
2. When did you decide to embark on enterprise activity and why?
3. Do you trade using your core health activity or completely separate goods and services?
4. What is the approximate proportion of trading versus grant income?
5. What are the pros and cons of using the social enterprise model? (What would the impact be on your beneficiaries if you abandoned the social enterprise model?)
6. Does this approach allow the projects to have a greater impact on health inequalities?
7. Do you feel that seeking contracts or selling goods and services impacts adversely on a needs led approach to health or can it complement it? (Have you ever turned down a contract or trading opportunity because it would have adversely affected your health impact objectives?)
8. Are there greater risks in this approach? Do you feel your funding is less or more stable than being dependent on grants?
9. How do the commissioners and/or purchasers of your service feel about the Community/Voluntary sector? Has this relationship led to greater or less understanding of community-led health?
10. Is there local support for the social enterprise model?

