

# Briefing



The Queen's  
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## Social enterprise

No.5

### What is a social enterprise?

Social enterprises are businesses which have a social purpose. Examples include The Big Issue and Cafédirect, but there are also many smaller social enterprises working across a wide range of sectors including, recycling, transport, housing and farmers markets, contributing £18 billion annually to the UK economy. Social enterprises sit centrally along a continuum, with for profit private sector organisations at one end and public sector organisations at the other (see box 1).

The differences between these types of enterprise are their purpose and what they do with their profits. In broad terms the private sector is in business to make profits which are then distributed amongst shareholders. The government funds the public sector, which is not required to make any profit but to provide services which serve society.

Social enterprises encompass both of these philosophies: they run as profit making businesses but the profits are then used to further the social aims of the organisation.

## Social aims

### Health and social care reforms

Diversity in the provision of public services is seen as a key component of public sector reform. The concept of "contestability" – the widening of the market to create more suppliers of services – is seen as the key vehicle for achieving this. Therefore organisations from across the spectrum of enterprise will be able to compete to supply services that have traditionally been provided by the state. The White Paper, *Our Health, Our Care, Our Say* (DoH 2006a) identified social enterprise as one of the ways of taking these agendas forward and delivering the reforms.

The Department of Health has set up a Social Enterprise Unit to encourage the development of social enterprises which involve staff and service users in designing and delivering services tailored to meet people's needs and also achieve greater value for money. A Social Enterprise Fund will be launched to help with set-up costs from April 2007, and the Unit will be supporting 'pathfinder' social enterprises in health from late 2006.

### Potential benefits of social enterprise

The interest in social enterprise models as vehicles for delivering health and social care services is in part because of the following positive characteristics:

*Community focus:* many social enterprises are created to fulfil

particular needs within particular communities. They are particularly well placed to engage with the communities they work with, often including those who for whatever reason find it difficult to access or engage with statutory services.

*Innovation:* social enterprises combine public service values with entrepreneurial skills of business to nurture creative solutions for often intractable problems.

*Diverse models:* social enterprise is an umbrella term for a range of different organisational models (see box 2). New health and social care organisations may emerge from existing social enterprises or come from existing NHS services. Many of these models embrace democratic governance arrangements with opportunities for staff and members of the community to be actively involved in the governance of the organisation.

*Working in Partnership:* social enterprises have an impressive track record of working in partnership across a wide range of stakeholders. Effectively engaging users, staff, communities and other organisations requires a deep commitment to working in partnership with others, some of whom may be competitors. This way of working requires maturity and sophisticated interpersonal and relationship management skills.



# NHS values

## Development of social enterprise in health and social care

Social enterprise has the potential to offer communities, patients, users and staff the opportunity to innovate and reshape services. However there are a number of issues which need to be addressed in order for the opportunity to become a reality.

### Provider development

*Culture change* – new social enterprises may emerge as a result of entrepreneurial NHS staff looking to externalise existing services or from existing social enterprises entering the health and social care market more fully. The cultures of each are currently quite different and each must be willing to understand and learn from the other.

*Risk* – new ventures must be allowed and supported to take calculated risk related to innovation and new ways of delivering services. Failures in public sector services already exist, whether financial or clinical: the management of risk is everybody's business, whatever type of organisation they work in.

*Skills* – many health care professionals are already highly innovative and may have many ideas for delivering services creatively. However, even entrepreneurial clinicians lack business skills, and have little knowledge of the legal and business aspects of starting and running a business. Individuals and teams with good ideas and the desire to start social enterprises need support in equipping them with the knowledge and skills to proceed with confidence.

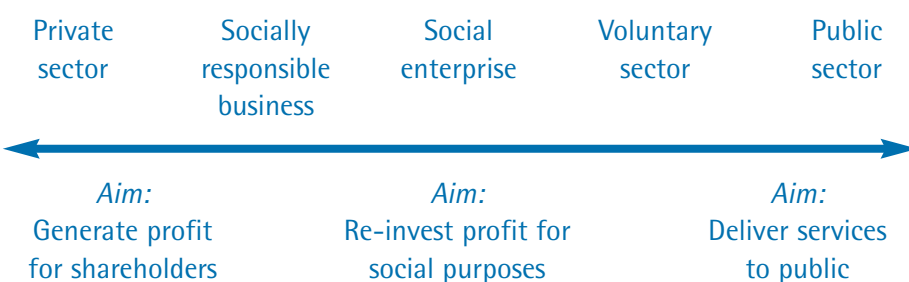
*Pensions* – there are issues relating to pensions for potential providers of NHS services: some types of independent providers and some legal forms of organisation are not accepted into the NHS pension scheme. Short term imaginative solutions, such as secondments, may help the pioneers of social enterprise in healthcare. What is clear is that the majority of the workforce employed by new providers will come from the existing workforce in any particular geographical area, so all issues related to employee terms and conditions will be critical to their success.

### *Privatisation through the back door?*

– some fear argued that the intended reforms will result in the wholesale privatisation of the NHS. However, there have always been independent providers within the NHS family, such as General Practitioners. *Health reform in England: update and commissioning framework* (DoH 2006b), reinforces the Government's commitment to the development of a diverse range of providers serving the NHS. The critical issue is that

#### Box 1

#### The organisational spectrum





## Box 2

### Some types of social enterprise

*Company – incorporated, governed by Memorandum of Association (objects and powers of the company, including non-profit distribution clause) and Articles of Association (internal management procedures, roles of members and directors). May be:*

- *limited by guarantee – owned by its guarantors (members); their liability limited to nominal value of the share*
- *limited by shares – owned by its shareholders (members); their liability limited to value of the guarantee (usually £1)*

*Community Benefit Society – also corporate body, members have limited liability. Each member has one vote, and the society operates for benefit of community.*

*Charity – objects must be exclusively charitable. All 'profits' used to serve charitable aims. Has tax advantages, but also regulatory constraints.*

*Community Interest Company (CIC) – includes 'asset lock' to ensure cannot be sold off for private gain.*

*Note: it is what the business does with its profits, not its legal structure, that makes it a 'social enterprise.'*

*Source: A guide to Social Enterprise – see [www.socialenterprise.org](http://www.socialenterprise.org)*

the values of the NHS are evident in both how services are commissioned and provided; and that high quality user experiences and clinical outcomes determine who provides services.

### Commissioning

The development of the commissioning function within the NHS is critical to developing a diverse range of innovative service providers, such as social enterprises, who can tackle the most difficult examples of health inequality, provide choice, and support individuals, groups and communities. The report of the third sector commissioning taskforce, "*No Excuses, Embrace partnership now. Step towards change!*" (DoH 2006c) provides guidance to health and social care commissioners regarding issues related to commissioning from the third sector, e.g. social enterprises, charities, community and voluntary organisations.

The report identifies a number of critical barriers to effective commissioning including:

*Variable skills and capabilities of commissioners – there is a variable level of understanding of what social enterprises have to offer, how they operate and their added value: that is, benefits to the community beyond provision of the contracted services. Length of contract and full cost recovery are critical issues if social enterprises are to be sustainable, yet they are often offered contracts as short as one year by public sector organisations, making business*

planning almost impossible. Commissioners need to equip themselves with the knowledge and understanding of the whole spectrum of enterprise in order to make informed commissioning decisions.

*Limited user involvement in planning of services – the involvement of users in the planning of services is relatively new, with some exceptions such as mental health and midwifery services. A step change in the ways in which we engage with and involve users is required and increasingly they will drive what services are provided and how they are provided. Social enterprises are particularly well placed to reach hard to reach groups and involve them in all aspects of the organisation including governance.*

*Procurement and contract management rather than commissioning – some commissioning organisations have found it difficult to radically change the ways in which services are provided and some commentators have argued that this is because they have focused on activity and price, rather than looking strategically at health need. While effective and efficient procurement and contract monitoring are very important it is more important to provide the right service in the first place. This makes commissioning a role that requires strong and innovative leaders, who understand the local community, health needs, workforce capacity and capability and clinical and organisational quality.*

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**Monitoring** – there are often disproportionate and inconsistent demands from multiple regulators, at a national and local level. The taskforce report recommends that monitoring be standardised and focused on outcomes rather than process. Contract management can be difficult for the provider and commissioner and finding a balance, which focuses on qualitative as well as quantitative measures, is not yet the norm. Social audit, which can demonstrate the social, environmental and other non-financial impact of an organisation, is not yet commonly used by public sector organisations, but will be increasingly required as they are asked to demonstrate corporate social responsibility.

#### Actions for community nurses

If you are interested in becoming involved in a social enterprise, you could:

- Read about examples of nurse-led social enterprises to see what kinds of services they plan to provide
- Talk to local colleagues, both nurses and other professionals, to see if others are also interested

- Find out about local commissioners' plans for encouraging new providers in your locality
- Contact your regional development agency for more information on starting a social enterprise
- Visit useful websites such as [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk) or [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

#### Summary

The reforms provide opportunities to community nurses to both provide services in different ways, and to influence the commissioning process.

Social enterprise offers a unique opportunity to reshape the way in which health and social care services can be provided. It is attractive because it combines entrepreneurial spirit with public service values, creating a unique environment for innovation and working with users. For social enterprise to thrive, a number of issues must be resolved, most critically the development of commissioning. Terms and conditions of employment must be attractive to NHS employees and they must be prepared to contribute to a culturally different organisation, if the two sectors are to come together



successfully. Many clinicians will need to develop new business and financial skills to take up social enterprise opportunities, though there are many sources of expert advice to call on.

#### Further information

*DH Social Enterprise Unit* – [social.enterprise.dh.gsi.gov.uk](http://social.enterprise.dh.gsi.gov.uk)

*Social Enterprise Coalition* – is the national voice of social enterprise, influences policy and shares best practice. [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

*NHS Networks* – has an area specifically for social enterprise, to share ideas etc. [www.networks.nhs.uk](http://www.networks.nhs.uk)

*Centre for the Development of Healthcare Policy and Practice* – a range of seminars and workshops to support those interested in social enterprise. [www.cdhpp.leeds.ac.uk](http://www.cdhpp.leeds.ac.uk)

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#### References

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2. Department of Health (2006b) *Health reform in England: update and commissioning framework*. London, DH
3. Department of Health (2006c) *No Excuses. Embrace partnership now. Step towards change! Report of the Third Sector Commissioning Taskforce*. London, DH