Adult Social Care Social Enterprises and the Foundational Economy in Wales

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1. Introduction

The Social Services and Well-Being (Wales) Act (WAG, 2014) reformed social services law in Wales and made provisions for improving the well-being outcomes for people who need care and support and carers who need support. It also made provision for co-operation and partnership by public authorities with a view to improving the well-being of people and about complaints relating to social care and palliative care. A key aspect of the Act (section 16) is that it requires "the promotion by local authorities of social enterprises[1], co-operatives, user led services and the third sector in the provision in their areas of care and support and support for carers" and, specifically, a local authority must promote:

1) the development in its area of social enterprises to provide care and support and preventative services;
2) the development in its area of co-operative organisations or arrangements to provide care and support and preventative services;
3) the involvement of persons for whom care and support or preventative services are to be provided in the design and operation of that provision;
4) the availability in its area of care and support and preventative services from third sector organisations (whether or not the organisations are social enterprises or cooperative organisations).

Some early reviews suggest that there is considerable potential for and benefits from social care being delivered by innovative business models, but that there are also important barriers to entering the field not least of which is the ability to convey the benefits of the approach to the wider health and social care system (Millar et al., 2013). The later report made some suggestions for enhancing the role of social enterprises in the health and social care sectors in Wales. These included the provision of business and financial support, establishing ways for social enterprises to pool resources and risk sharing, giving staff the right to take up the option of setting up a social enterprise, making regulatory processes proportional to the scale of social enterprises, examining tax and financial incentives, exploring alternative tendering processes, the provision of adequate information to commissioners, guidance on the legal framework and a single framework for the added value of social enterprises (Millar et al., 2016).

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[1] social enterprise" ("menter gymdeithasol") is defined in the Act as an organisation whose activities are wholly or mainly activities which a person might reasonably consider to be activities carried on for the benefit of society ("its social objects"), and which (a) generates most of its income through business or trade, (b) reinvests most of its profits in its social objects, (c) is independent of any public authority, and (d) is owned, controlled and managed in a way that is consistent with its social objects;

Case studies of community interest companies (*Sunshine Care - Rochdale*) and multi-stakeholder co-operatives (*Caring Support – Croydon*) point to economies of scale, lack of Local Authority knowledge and skills, and preferred provider lists as important barriers to entry (Fisher et al., 2011). Examples of existing and successful co-operatives in health and social care include *The Foster Care Co-operative* and long-standing health co-operatives and mutuals (*Simplyhealth and Benenden*). But it is also important to note that this is also an area where sustainability is not guaranteed and where new initiatives can potentially have negative effects. The example of *Southwark Circle*, a membership and mutual support group for over 50s is a case in point.

The Foundational Economy refers to that sector of the economy (incorporating both private and public sectors) that provides the kind of mundane, taken for granted, goods, services and infrastructure that sustain everyday life. It includes utilities, transport, food (retail and processing) and the provision of education, welfare, health and social care; and employs some 40% of the total UK workforce (Bentham et al., 2013). Key aspects of the foundational economy are that it is territorially distributed and is sheltered by virtue of it being sustained by household spending and tax revenue and/or being franchised by the state. In this context, point value calculations (both in the private and public sector) have damaging consequences for everyday life and lead to a large disconnect between the interests of corporations and broader social or economic concerns. An alternative is to work towards a *social franchise* based on an economic and social *compact* that ties citizens, corporations and the state together (Law and Williams, 2014). Such a compact can be based on strategies that include *social licensing* of sectors or firms so that the right to trade is given on the basis of relevant criteria of community responsibility being met (e.g. conditions on sourcing, living wages, training); and the promotion of the *non-profit/not-for profit sector* in key the areas of the foundational economy. These ideas resonate with examples of what has been described as the *civil economy* (Murray, 2012) including socially owned water systems like Welsh Water, Italian social cooperatives and co-operative enterprises in Quebec (Restakis, 2010). The case of Italian social cooperatives in the region of Emilia Romana is particularly relevant to social care because of the size and success of the models of care found there (Mazzarol et al., 2014). Wales offers a fertile testing ground for the ideas of the Foundational Economy. Recent work in Tredegar undertaken by the University of South Wales (CREW) (Adamson and Lang, 2014)offers valuable insights into the how this might be achieved. Moreover, the Welsh government has begun to put in place a statutory framework that moves some way towards promoting some of the ideas particularly in relation to adult social care

Social Enterprises and other Alternative Business Models (ABMs) are viewed by some as a potentially beneficial alternative to either a monopolistic provision of services by the state, which is no longer considered tenable for a variety of political and economic reasons, and the outsourcing of services to the private sector. The political appetite for encouraging social enterprises can be understood in part by the potential for such organisations to counter the excesses of an unfettered market in the provision of social care services through their closer ties to communities and social values. A recent systematic review of the evidence suggests that Social enterprises do indeed contribute measurably to health and well-being in a number of ways (Roy et al., 2014), but the authors caution that the heterogeneity of the studies, their varying quality and the very specific settings in which the studies took place make it very difficult to make generalisations. Furthermore, there is an assumption in much of the literature that the third sector offers distinctive services within social care, but it is not always made clear exactly what this distinctiveness entails.

The engagement of older people within community-based organisations can yield significant benefits for social cohesion and social capital within communities, and this is even more crucial for communities in rural or semi-rural geographies. Barriers to the development of effective community-based organisations and local responses to social care problems in such areas have been identified, including the absence of leadership in the form of 'social entrepreneurs' as well as funding problems, the absence of physical resources and poor voluntary–statutory coordination (Walsh and O'Shea, 2008). Recent research by Birmingham University suggests that micro-enterprises in social care in England can deliver more personalised and valued support at a similar cost to mainstream services. The strengths of smaller enterprises seem to be based in continuity of staff, higher staff autonomy and accessibility of managers. However, the researchers recognised that small enterprises find securing revenue (for starting up) and sustainability difficult (Needham and Carr, 2015; Needham, 2016). There is a need for robust research addressing the effectiveness of such groups, projects and programmes in the UK to provide a valuable source of data that can shed light on the specifics problems and opportunities faced by small organisations who are in the process of attempting to forge local responses to local social care problems within their communities. An overview (Buckingham, 2009) distinguishes between structural/operational and quality distinctiveness of third sector organisations: the former refers to the way in which the sector is separate from government and does not distribute profit, and has value driven aims. The latter set of meanings refers to assumed qualities that are thought to be beneficial, such as greater scope to be innovative and personalised, increased access and responsiveness to local populations, and increased involvement of volunteers and service users which fosters more active communities. Although there are examples of such positive impacts an unequivocally optimistic perspective must be

tempered by a paucity of evidence that such benefits can be generalised to all third sector organisations, irrespective of their particular structure and operational practices (Wright, 2008).

There is evidence that outcomes do in fact differ in significant ways from the provision of services by either statutory or private organisations. Kendall (2000) demonstrates how differences varied according to the type of social care. In residential care there were differences in admission and visiting policies, in home care the third sector was less likely to offer live-in or day and night sit-in services, and that there are also price differences between sectors, with the third sector providing lower cost residential care. It is perhaps less clear how sector distinctiveness impacts upon user experiences. Hopkins (2007) explores this issue and reports that the evidence is strong for experienced distinctiveness in employment services, but less so in domiciliary care and social housing.

In Wales, whilst the obligations of Section 16 are clearly stated, it is not clear how these objectives are to be realised. Local Authorities (LAs) must act towards the objectives building on their current and historical relationships with the Third Sector to ensure that opportunities for developing and supporting alternative models of social care provision are not lost. Social Enterprises, for their part, have the opportunity to capitalise on this new policy direction and strengthen their position in a mixed economy of social care provision. The nature of this economy and the success or failure of social enterprises within it will, however, be largely determined by a variety of practical, structural, political, and economic factors[2].

1.1 Aims & Objectives

The aim of this project was to examine the scope for innovative delivery of adult social care by means of social licencing, social enterprises, co-operatives and not for profit organisations. The research objectives were to undertake:

1) a review of the literature on not-for profit social care provision in the UK and other countries including collation of the evidence on the potential benefits of a foundational economy approach and the potential for innovative models and ways of working to be successfully incorporated into a mixed economy of social care provision

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[2] It is important to set this report in the context of a sector that has experienced substantial cuts in funding over since the instigation of austerity policies by the Westminster government. In addition, with levels of funding changing in response to the crisis, the environment can best be one of rapid change and disruption with a fragility within the sector associated with threats of closure and market failure.

2) an exploration of initial responses and preparedness to Section 16 at Local Authority level to assess and identify mechanisms and policy interventions that enable Local Authorities to shift towards not-for-profit provision

3) a case study in Wales of an early development of social care provision based on a community enterprise model

2. Background

<u>2.1 The Adult Social Care Sector in Wales</u>

The social care sector in Wales has, as in the rest of the UK, been subject to financial pressures and has been publically criticised by a recent report by the Older People's Commissioner for Wales, in which it was found that too many people in Welsh care homes had an "unacceptable" quality of life. Whilst the report recognised examples of excellence and significant variation across Wales, it found that too many older people living in care homes, among the most vulnerable people in society, are no longer able to do things that matter to them, lose meaningful choice and control over their lives, have their emotional needs neglected and do not have their basic rights upheld. Flagging up staff shortages in particular, the review revealed that some people were left for days without any social stimulation, making them feel useless and isolated (Older People's Commissioner for Wales 2014). With the recent passing of the Social Services and Well-being (Wales) Act 2014 into law it is hoped that this new legal framework will offer a more robust means of strengthening the regulation and inspection of social services in Wales, as well as offering opportunities to older people to experience greater independence to determine which services they need. Another important facet to this Act is that it explicitly advocates the development of co-operative, social enterprise and other third sector models of care delivery[3]. At this stage it is still too early to determine the likely impact of this Act, but together with the ongoing focus on poor-performing services from the Older People's Commissioner for Wales, adult social care services in wales are in the spotlight and the time seems ripe for exploring ways of improving how services in this sector can be delivered.

With more people living longer there is a need to plan future services to anticipate the needs of this growing population. In Wales, there are now more people over 65 years of age (19%) than there are under 16 years old (18%), and the numbers of people aged 85 and over are anticipated to double by 2037. As of the 31st March 2014 there were 558,115 adults over the age of 65, with around 10% receiving care that is funded by the public. There were 43,638 adults aged 65 or over who were being supported to live in the community. There were 11,625

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[3] http://gov.wales/docs/dhss/publications/141117acteasyen.pdf

adults aged 65 or over who were being supported to live in residential care homes. There were 28,557 adults between the ages of 18 and 64 who were being supported to live in the community or in residential care homes[4]. And in the financial year 2013/14 local authorities reported expenditure in adult services of £1,093,719,000 (£554,098,000 for adults over 65 and £539,621,000 for adults under 65)[5].

Adult Social Care in Wales currently operates an approved provider list for residential, nursing and domiciliary care providers, with providers having to meet a range of national and local authority requirements in order for their services to be available for commissioning by local councils. Strong commissioning, monitoring and safeguarding procedures can ensure that the care provided is of good quality and that people are protected. This process allows for flexible responsiveness to a range of client needs through spot purchasing of placements. Councils can therefore place an individual based on their level and complexity of need and agree a cost rate for that placement, rather than committing to block purchasing arrangements which commit the council to fixed costs for a specific number of placements over a period of time[6]. The Welsh government routinely collects data on the number of local authority domiciliary care workers in Wales. According to the most recent data (see Table 2), there are 4,874 domiciliary care workers and 341 senior domiciliary care workers employed by Welsh local authorities[7] who delivered 3,015,532 hours of publicly funded domiciliary care to adults. This compares to 10,064,216 hours of publicly funded domiciliary care contracted out to the independent sector[8]. Looking at the data from 2010-2014, we can perceive a trend towards reduced numbers of domiciliary staff employed by local authorities and a corresponding reduction in the number of hours of care provided (-16.7%). In addition we can see an associated rise in the number of hours of care being provided by staff employed in the independent sector (33.2%)[9]. Data on the number of domiciliary care workers employed by the private and voluntary sectors (the independent sector) are not routinely collected. It is, however, possible to estimate the number of domiciliary care workers employed in this sector, using these same data. In 2013-14, of a total of 13,079,748 hours of publicly funded domiciliary care provided in Wales, 30% was provided by 4874 domiciliary care workers and 341 senior domiciliary care

[4] http://cssiw.org.uk/docs/cssiw/report/150304annualreport3en.pdf
[5] https://statswales.wales.gov.uk/Catalogue/Local-Government/Finance/Revenue/Social-Services/social-services-socialservicesrevenueexpenditure-by-clientgroup
[6] http://www.bridgend.gov.uk/web/groups/public/documents/report/112147.doc
[7] https://statswales.wales.gov.uk/Catalogue/Health-and-Social-Care/Social-Services/Staffing/StaffOfLocalAuthoritySocialServicesDepartments-by-LocalAuthority-PostTitle
[8] https://statswales.wales.gov.uk/Catalogue/Health-and-Social-Care/Social-Services/Adult-Services/Service-Provision/HomeCare-by-LocalAuthority-Measure
[9] https://statswales.wales.gov.uk/Catalogue/Health-and-Social-Care/Settings-for-Social-Care-and-Childrens-Day-Care/CssiwSettingsAndPlaces-by-LocalAuthority

workers employed by Welsh local authorities. The remaining 70% was provided by an estimated 11,373 domiciliary care workers and 796 senior domiciliary care workers employed by the independent sector (assuming the same ratio of senior care workers to care workers and that these workers work the same number of hours per week, have the same annual leave entitlements and the same levels of absence). Data on services provided by social enterprises and other third sector organisations that allows robust comparison of services and evaluation of new initiatatives is limited.

2.2 The UK and Devolved Policy Context: Consumerism, Choice, Enablement & Voice

Successive governments have brought various ideologies to bear on the shaping of the relationships between public, private and voluntary sector bodies in the delivery of public services. Broadly speaking, in the context of social care provision, there had been a push towards marketization under the 1979-1997 Conservative government. There were precursors to this marketization in the 1980s, but the principal driver towards this new reality was the 'purchaser-provider split' that was pushed through by the Conservative government in the 1990s (Giarelli et al., 2014). Under New Labour (1997-2010), this general direction of travel was preserved, but change was now motivated largely by discourses of modernisation and a 'third way' that traversed the distinction between market-based ideologies of the political right and the public sector values that were traditionally held by the UK left. Although the third sector has always featured in the delivery of social care services since the end of the 19th century, an important direction of change under New Labour was a greater emphasis on 'partnership working' and the notion that the third sector should have a much greater role in the provision of public services, and that where services are procured by government there should be a 'level playing field' for all providers, regardless of sector (Dickinson et al., 2012). Implicit in the 'third way' approach was the idea that ideological state-versus-market arguments take a back stage to a more pragmatic managerialist approach that seeks to identify 'what works' on the ground (Goodship et al., 2004). Since 2010, the UK Coalition government has continued the policy of encouraging the private sector, third sector and not-for-profit sector to provide health and social care services by the introduction of locality-based Clinical Commissioning Groups (CCGs), which control up to two thirds of the NHS budget and enable GPs to choose health and social care services not only from NHS providers, but 'any qualified provider', meaning that private companies, charities and social enterprises are encouraged to actively complete for contracts from CCGs (Giarelli et al., 2014).

The evolution of policy however, is complicated by the issue of UK devolution and in Wales the marketization of health and welfare services has been resisted. Since the 1970s we have been witness to a global trend whereby various governments across the world have engaged

in devolution processes in order to transfer power to regional governments within larger state structures (Rodríguez-Pose and Gill, 2003). Devolution was resisted in the UK until the late 1990s when the Labour government offered the opportunity for its constituent countries to engage with this process. The result was an asymmetrical form of devolution through which each territory was granted different powers and institutional arrangements, with important ramifications for the development of public policy (Jeffery, 2007). Devolved governments have had the opportunity to develop policies that are better tailored to the economic and social conditions of their areas, while the central UK state has retained the power to maintain common state-wide policies in specific areas (principally defence, foreign policy and social security), and so devolution has been dominated by the major social service areas of health, social care, education and housing (Moffat et al., 2012). At the same time, the devolved parliaments in the UK have only limited power to raise revenues (although this is changing), meaning that the introduction of austerity measures designed to address the UK's budget deficit by the Coalition Government since 2010 has had significant implications for the devolved governments. Vocal opposition to austerity and calls for consideration of alternative strategies, such as increased capital expenditure, have contrasted with the requirement to administer cuts to budgets and associated reorganisation of services (McEwen, 2013).

Developments in the policy landscape in England that are centred around greater patient choice of service provider can be seen as part of the wider consumerist project of New Labour, reflecting an emphasis on competition, consumerism, personalisation and choice in all public services (Scourfield, 2007; Lymbery, 2010). However, in the four UK countries, explicit differences in policy rhetoric and objectives reflect increasingly different institutional frameworks and political ideology, as well as territorial features such as size, geography and population characteristics. In broad terms, the devolved governments have adopted a more traditional social democratic language and operated in a more pluralist and consensual fashion in social policy compared with the UK Government in England. Within the field of health and social care, there are distinctive points of divergence within each of the devolved territories. Most significantly there are the highlights of universal coverage – free personal care for older people in Scotland, the abolition of prescription charges in Wales and the Older People's Champion in Wales, which represent clear cases of horizontal policy divergence between the different devolved territories and between them and England (Moffat et al., 2012).

The emphasis on consumerism and the use of choice of provider as a driver for improving quality and efficiency does not feature to quite the same extent in Wales, Scotland and Northern Ireland where the policy focus is more on the accommodation of patients' preferences within the provision of an equitable service. In Scotland and Wales, the emphasis

has been on patient and public 'voice' to shape services to match patient expressed preferences in the context of the diverse needs of the population (Fotaki et al., 2005), alongside greater interests in collaboration, partnership and universal provision and less competition among service providers (Keating, 2009). It is argued that such policies constitute, in part, an attempt by the devolved parliaments to politically distinguish themselves from the direction of policy at Westminster. The Scottish National Party, for example, has invested a great deal of energy in developing a distinctive Scottish policy discourse (Arnott and Ozga, 2010), and similar efforts have been documented in Wales (Drakeford, 2005).

The incorporation of choice and consumerism into the public services for older people has impacted upon the ways in which people engage with and shape the services on offer, but this has not occurred evenly throughout the UK. One study demonstrates that 'the emphasis on choice in public services in England has not been followed to the same extent in either Scotland or Wales' (Moffat et al., 2012). Personalization has been closely linked to discourses around choice, the consumer and, more recently, the citizen-consumer. The focus on the individual includes managing the risks that might cause an individual to enter the care system. In this respect, modernization has involved transforming services from those which react to the needs of service users, into those which proactively intervene to promote the well-being of the whole community. In Wales, policy guidance has focused on prevention and delivering services that are 'tailored to individual needs and prevent or delay people moving to a higher level of need' (Welsh Assembly Government, 2007).

Welsh policy has emphasised prevention and prudent health care while policies in England have been moving towards processes of enablement. Both prevention and health promotion involve what has been termed 'responsibilizing' the individual as an empowered citizen (Clarke, 2005) who is responsible for their own care. However, of crucial relevance to issues discussed within this report, concern has been raised that insufficient attention has been paid to supporting older people in the rural countryside (Manthorpe and Stevens, 2010). Others have drawn attention to how low level village services 'routinely delay or negate the need for more expensive formal health and social care packages and promote independent living among senior citizens in the countryside' (Dwyer and Hardill, 2011). It is often the voluntary sector that is relied upon to provide these kinds of services, as well as to provide the information and advice needed by older people to make decisions which will enable them to prevent their own health deteriorating or to promote wellbeing. However, there is also concern about the extent to which rural voluntary and other third sector services can secure the funding and support necessary to ameliorate the effects of rural environments on such proactive and preventative work (Manthorpe and Stevens, 2010; Dwyer and Hardill, 2011).

3. Review of the International Literature

<u>3.1 Doing Things Differently: Presumed and Demonstrable Value of Third Sector & Social</u>
<u>Enterprise</u>

There is an assumption, prevalent in much of the literature, that social enterprises and other third sector organisations offer a beneficial distinctiveness when it comes to the provision of social care services, though it is not often articulated exactly what this distinctiveness entails. One analysis of this supposed distinctiveness differentiates between structural and operational characteristics of such organisations and the qualitative characteristics that they are commonly asserted to possess (Buckingham, 2009). The former is largely attributed to social enterprises by virtue of them occupying a civic space that is neither the statutory nor private for-profit sector, and as such the third sector is assumed to operate in a self-governing way, to be free from the influences of government, to not distribute profits outside of the organisation and to be driven by social values rather than only by profit. The latter qualities, derived from these structural and operational characteristics, are held to be principally the ability to be innovative and personalised, to be more responsive to local populations to which they have greater access to and integration with, and the increased involvement of volunteers and other community stakeholders (Buckingham, 2009). Another attempt to operationalise the concept of distinctiveness with regards to the specific activities of social enterprises that are particularly beneficial to user experiences highlighted the following characteristics (Hopkins, 2007):

1) An organisation that makes users feel part of the community;
2) Staff who are prepared to go out of their way to help service users;
3) Staff who care about users as people;
4) Offering extras that service users wouldn't have expected;
5) An organisation users feel that they can trust.

Whilst the literature contains numerous examples of social enterprise case studies that document positive impact and innovation, it is probably most accurate to conclude that there is a paucity of generalizable evidence that these positive attributes that can be ascribed to the sector as a whole. The evidence on processes and outcomes of what is actually qualitatively different within third sector organisations who deliver social care services suggest that there are important differences when compared to statutory or for-profit sectors, but that these differences vary according to the type of care being provided (Dickinson et al., 2012).

Though it is not advisable to assume that such qualities of this sector are universally present in these organisations, case studies of social enterprises in the social care sector are

illustrative of the kinds of beneficial distinctiveness that can be expected. Like all public services, social care is currently under great pressure to do more with less in the context of significant cuts in public spending and a demographic reality in which demands for services will inexorably continue to rise. It has been argued, however, that this challenging economic environment might actually provide a unique opportunity to make services more sustainable. Some for example (Evans et al., 2012) argue that the theoretical tradition of sustainable development is particularly appropriate for thinking about new ways of commissioning and delivering social care, given that it encompasses notions of not just environmentalism, but also the relationship between social justice, human health and wellbeing, and economic development. The practical implementation of sustainable development often focuses on four key elements:

1) The pursuit of clear and consistent long-term outcomes; beginning with a clear definition of the long-term and integrated social, economic and environmental outcomes that are to be achieved;

2) Focus on the whole system; ensuring that apparent benefits in one part of the system are not at odds with outcomes desired or expected elsewhere;

3) Prevention rather than cure; looking at the root causes of socio-economic and environmental problems, identifying solutions that might prevent more costly solutions further down the line;

4) Meaningful engagement of citizens and communities; emphasis on creating sustained and meaningful ways of engaging people in both the initial identification of desired outcomes and the most appropriate means of achieving them.

The authors detail four case studies from the UK in order to support their contention that social care can only be sustainable if an integrated approach is adopted that combines environmental, economic and social considerations.

There is some evidence on the introduction of social enterprise in England that suggests that there are clear benefits of delivering health and social care through social enterprises for patients, communities and staff (Millar et al., 2016). These include greater innovation in service delivery, more choice for patients, increased cost effectiveness, greater staff ownership, lower staff turnover, less bureaucracy, greater reinvestment of profit with a diversification of income streams beyond the public sector which in turn enables greater partnership working. However, a number of challenges have also been identified for social enterprises by the same authors. These centre around a limited interest among public sector staff to develop social enterprises due to concerns regarding job security, a lack of staff

support, leadership, organisational support and commissioning support, difficulties balancing the clinical aspects of day-to-day delivery and the managerial aspects of running a business, commissioners not understanding or recognising social enterprises and considering them as 'not business-like enough', concerns about the potential loss of public sector branding and the difficulties of measuring anticipated benefits and securing funding from financial institutions and commissioners.

3.2 Measuring the Value and Success of Social Enterprises

Whilst the effectiveness of for-profit organisations is traditionally measured principally in terms of the degree to which profit is generated for shareholders, it is argued that assessment of efficacy and success in the realm of not-for-profit and social enterprise organisations is qualitatively different in several important respects. This is not to say that financial and economic measures are not vital to their evaluation, since it is essential for social enterprises is to be economically sustainable to ensure continued realisation of their goals. However, these goals are broader in scope, and make reference to a wider community of stakeholders. That the objectives of social enterprises cannot be reduced to profit maximisation or economic wealth creation, but rather that it must also incorporate social value creation, raises questions of how social and economic value are measured.

Additionally, confusion may arise due to the fact that many social cooperative models of social enterprise use a mechanism by which gross income is redistributed to its members via prices, and so profit ostensibly often results as a 'net zero surplus'. Some argue therefore that to claim that social enterprises should be measured using the same profitability indicators as for-profit organisations, or equally, that measurement should only examine the issue of social value creation, ignoring economic and financial criteria, are both fallacious approaches. Profitability in social cooperatives is a necessary means to achieve their social purposes and to ensure sustainability of the model, but then once achieved, the purpose of the organisation becomes one of satisfying the needs of the community and society at large (Costa et al., 2012).

The concept of 'ethical capital' has been suggested as a means of understanding the principal objective of social enterprises, and to counterbalance the dominant market ideology and terminology that currently pervades debates over health care provision (Frith, 2014). This can be seen as a central tension for social enterprises; where commercial businesses aim to make enough money to generate profit and sustain the business, social enterprises, with a dual aim of creating profit and producing some form of social value, need to be mindful of how these two potentially conflicting goals can be managed and balanced. Ethical capital can be conceptualised as the overriding aim of the social enterprise and other forms of capital are a means to achieving this such that profit and economic sustainability are a means to this end

rather than ends in and of themselves. It is argued that framing the parameters of success in this way protects against non-economic goals being lost in the push for social enterprises to adopt the entrepreneurial practices of the private for-profit sector, and the risk that competitive environments can encourage third sector organisations to become more like for-profit providers with associated negative impacts upon quality of care and staffing levels (Frith, 2014).

If then 'social effectiveness' or 'social value' must be measured in order to fully understand whether or not a social enterprise can be considered to be successful, the question arises concerning which factors should be included in such measures. It is argued that a suitable evaluation of a social enterprise's effectiveness should therefore include a wide range of key indicators (Bagnoli and Megali, 2011):

a) Inputs, the resources that contribute to the activities undertaken;
b) Outputs, in terms of both activities realised to achieve the mission and direct and countable goods/services obtained by means of these activities;
c) Outcomes, the benefits or impact for the intended beneficiaries; and
d) Impact, the consequences for the wider community.

In terms of this last point, the same authors suggest that factors used to determine the degree of social responsibility exhibited by social enterprises (allowing for suitable methodologies that could potentially pick up on secondary effects in terms of improved social capital and wellbeing in the community in question) could include the following:

I. Choosing local suppliers to favour short supply chains
II. Choosing socially or environmentally certified suppliers (or other 'ethical' certifications);
III. Adopting a regime of decent work conditions (safety, health etc.); and
IV. Giving employment to workers coming from positions of disadvantage (mental or physically impairment, civilian prisoners etc.)

In a review of social businesses in Wales, a recent survey concluded that the majority of them were very aware of the importance of measuring their social impact. Only 8% of social businesses did not measure their social impact and some organisations used multiple measurement tools. The most widespread method, however, was to rely on the provision of informal feedback (25% of organisations). This ranged from verbal exchanges to comments books and unstructured feedback forms. More formalised methods employed included capturing performance against pre-specified outcomes, but this approach was usually limited to immediate participants and users rather than addressing wider social impact. It is interesting

to note that in most cases (63%), the organisation had developed its own bespoke measurement tools to measure their social impact (Wales Co-operative Centre, 2015).

With respects to social care provision, and in the context of measuring wider health and social impacts, it will be necessary to develop a more sophisticated methodological approach to evaluating the impact of the service. More complex methodologies might also incorporate methods for investigating any impacts upon wider health and social care services. If they are to be conducted with sufficient reliability and validity to be meaningful, the cost of such evaluations is likely beyond the means of small social enterprises where resources are already likely to be constrained.

3.3 The Archetypical European Example: Social Enterprise in Italy

Third sector involvement in the provision of health and social care services varies across Europe, Scandinavia, Canada and the United States. The case of Italy is particularly interesting because of institutional arrangements and policy decisions that have meant that by the end of the 1980s its national health service provided among the lowest coverage of social welfare needs in Europe. Due to this state of affairs, mainly on the initiative of civil society groups, many third sector organisations emerged to fill this void, and the 1990s saw much consolidation and recognition of their activities, which were increasingly provided with direct funding to support previously voluntary activities. The model of organisation that has undergone the greatest development in Italy is that of the social cooperative. Today, these organisations serve to fulfil needs that the state would find overly costly to respond to, due in large part to the inflexibility of public services, especially in the fields of mental health, disability and elderly care.

The Social Co-operative Law passed in 1991, Law 381, defines a social co-operative, clarifies public policy aspects and provides additional guidance. The law encourages multi-stakeholder membership, but does not require it. Worker co-operatives can also be social co-operatives. The law defines two types of co-operative: Type A and Type B. The former is the standard form that involves workers and other members including service users and volunteers, typically engaged in the provision of health services, social services and education services. Volunteers may not exceed 50% of the membership, and many co-operatives do not have volunteer members. Type B are 'job integration' co-operatives that maximise the economic inclusion of disadvantaged groups, such as disabled people, people with developmental, mental health or addiction problems, and also ex-offenders or immigrant groups from outside of the EU (Conaty, 2014).

According to a recent review (Girard, 2014), these cooperatives currently number more than 12,000 and have around 350,000 employees (alongside volunteers who may number only up to 50% of the total). They have therefore become an integral part of the Italian welfare system, but their close dependence on public financing has somewhat loosened their original relationships with civil society. Since the 2008 global financial crisis, healthcare services have been increasingly restricted in Italy, and citizens are increasingly required to co-fund their access to them. Cooperatives have subsequently adjusted their focus to provide a greater range of health and social care services and are more important in the field of health and social care than ever. Several models of social cooperative exist including: labour-oriented social cooperatives , whose core activities are the search for work and employment protection for their worker-members; the 'delegatory' social cooperatives, which are organisations that give the state responsibility for financing services delivered to the most disadvantaged groups; the 'responsible' social cooperatives, which are committed to responding to the needs of disadvantaged groups and tend not to cater to private paying demand; and the 'interventionist' social cooperatives, which are the organisations that give highest priority to the problems of social inequality and social inclusion (Borzaga and Fazzi, 2014).

Based on empirical research with organisations in this sector, the above authors conclude that there are many assumptions concerning the way in which third sector and social enterprises operate, not least that they operate efficiently to address the needs of the most disadvantaged people in society, and thus they are ideally placed to better respond to the needs of a population in the context of state withdrawal of universal public services. And yet, after three decades, it is clear in the Italian case that there have been some significant shifts in the configurations of these organisations, such that it is probably no longer safe to assume that they will inevitably continue to work to values that informed their traditional close concern with problems of social inclusion and justice. Their research shows that third sector organisations that supply health and social care services experience tensions between their goals and aspirations and occupational and economic interests. Research on Italian social cooperatives suggests that a concern for the needs of more disadvantaged social groups is becoming less integral to their makeup. Indeed, there is some evidence that the financial crisis has led to more hierarchical commissioning of services, less flexibility and weaker civil society involvement (Borzaga and Fazzi, 2014; Borzaga et al., 2016). There is also some evidence for geographic variations in the performance of social enterprises (Costa et al., 2012) and where co-production has been imposed, at least in the early stages of social enterprises, a worsening of service provision and a decline in the terms and conditions of workers (Antonucci, 2015). While the recession does not seem to have affected co-operatives' capacity to maintain themselves, and in some cases grow, their ability to offer quality

employment, training, and career development may have been compromised (Riva and Garavaglia, 2016). There are important learning opportunities here that should not be lost in the enthusiasm for promoting third sector and social enterprise provision in Wales.

Generalisations are difficult, given the heterogeneity of form in this sector. The extent to which individual social enterprises continue to be committed to values of social justice, inclusivity and addressing the needs of the most disadvantaged seems to depend on the extent to which linkages with civil society have been maintained through governance models that involve a plurality of stakeholders. One reason for this suggested for this is that a close relationship with civil society ensures that the organisation does not dispense with protection of its workers interests (Borzaga and Fazzi, 2014).

These same authors outline the evolution of Italian social cooperatives, identifying three phases of significant change: the pioneering phase (1980s – 1991), the expansion phase (1991- 2000) and the institutionalisation phase (2000 – onwards). Whilst acknowledging the implicit relationship of dependence on the state that comes with the institutionalisation phase, the authors argue against a simplistic theoretical representation of these organisations as 'dependent'. Rather they claim that these models of service provision continue to evolve and adapt to accommodate changes in the social and economic landscape, in line with their bottom-up origins, and that they continue to innovate in ways that demonstrate a capacity to autonomously regenerate their objectives and working methods by entering new areas and tackling new social and economic areas. Social cooperatives, they argue, face a future characterised by uncertainty and also discontinuities with the past. Amid this period of tumultuous transformation, some have emerged with a more positive attitude towards this situation, seeing it as an opportunity rather than a threat, and that the result has been growth and experimentation, the outcomes of which are still yet to be seen (Borzaga and Fazzi, 2011).

The form the economic crisis has taken in Italy since 2008 has had an impact upon the growth of social care provision by not-for-profit organisations, and thus also on the numbers of qualified social workers being employed in this sector, as compared to those employed in the public sector. Traditionally, since the 1970s, qualified social workers had most often found employment as public employees delivering a public service. Indeed, training for the required qualification still largely reflects this assumption. And yet, the rapid change of the welfare system in recent years has meant that the state has closed the door to new recruits into public social work, and so this structural reform has increased labour demands by non-profit organisations in this area as these organisations have continued to grow, as has the payments to them from municipalities for the purchase of their services. It is stated that the debate

surrounding this transformation contains certain assumptions concerning the changing role of social workers and of the quality of social work itself (Fazzi, 2012a):

1) That social work in non-profit organisations is a fall-back solution in the context of structural and economic circumstances, and connected with atypical functions that are at odds with the specific features of social work.

2) That this shift comprises part of the scaling back of welfare services and a lowering of the protection afforded to disadvantaged groups. Working in the non-profit sector is seen as indirectly contributing to this dismantlement of civil rights, which social workers should rightfully be protectors of.

3) The non-profit sector is considered as a kind of 'Trojan horse' used to impose market principles and methods onto the field of social work, entailing a greater exploitation of workers and impoverishment of the quality of their work.

While Fazzi (Fazzi, 2012b) questions the evidence for such concerns he acknowledges there are elements of de-professionalisation of social work in certain contexts where they are delivering services in highly competitive environments, and also that there are examples of practitioners with duties and roles different from those of a traditional social worker. He suggests that the training of new social workers must evolve in order to better reflect the new reality and better equip them with competencies better suited to the structural reality in Italy. For example, skills in analysing needs, devising social intervention projects, and working collaboratively with other organisations (Fazzi, 2012b).

3.4 Beyond Italy: Social Enterprise in Different Social, Cultural & Political Contexts

In Europe the notion of social enterprise originated in Italy in the late 1980s, but it was not until the mid-1990s that this concept had proliferated to much of the rest of the continent, though not uniformly. In the European context, the process of institutionalisation of social enterprises has often been closely aligned with the evolution of public policies, and as such, the explicit organisational forms, social objectives and fields of activity of social enterprises can be seen to vary both between and within specific countries. Socio-economic and other factors, such as the persistence of structural unemployment in many European countries, the need to reduce state budget deficits, and the need for more active integration policies have determined the extent to which social enterprises have emerged to meet these challenges (Defourny and Nyssens, 2010). Drawing upon the Esping-Anderson typology, it has been argued that the development of social enterprises in Europe can be largely characterised by characteristics of the welfare state regime of the country in which they originate. The three major types of welfare state identified are:

1) Liberal (or 'Anglo Saxon'): In which the market is responsible for providing welfare services.

2) Socio-democratic: a wide range of welfare services organised by the state on a universal basis

3) Corporatist (or 'conservative'): public insurance funds and welfare services established and operated by the government or by non-profit organisations regulated by the state.

In the corporatist countries (such as Belgium, France, Germany & Ireland), public bodies in the 1980s faced high levels of unemployment and crises in public finances. Such a context spurred the creation of innovative active labour policies that were designed to reintegrate the unemployed into labour markets through programmes such as professional training or job subsidies rather than replying on passive labour market policies based on systems of cash benefits. Within this field of active labour policies was a subset of programmes that offered a more immediate route to employment, based upon the recognition that a large number of people were unemployed and that there was also a significant set of social needs that were not being met by the current system. Such programmes sought to create jobs in these areas of social need in order to satisfy both these problems simultaneously. In countries such as France and Belgium, these policies were explicitly located within the third sector and became known as the "social economy" or "solidarity economy".

In socio-democratic countries, such as Sweden, Norway and Denmark, high expenditure was the principal common factor in welfare state provision, together with a culture of clear demarcation between tasks of the state (who deliver welfare), the business community (who deliver jobs) and associations (who shape and articulate a broad range of social issues). A strong tradition of co-operatives exists in such countries, and the 1980s saw an emergence of new challenges that lead to a more rapid proliferation of these organisations. In Sweden, for example, a number of co-operatives emerged in the fields of psychiatric care and childcare. The former were in response to a phase of psychiatric reform in which large closed-environment mental health facilities were phased out, leading to demands for new models of care that were better suited to the needs of patients and communities, and a proliferation of parent co-operatives emerged in response to a gradual decline in the provision of Swedish childcare services by the state.

The liberal economies, such as the UK, are typified by a relatively lower level of government social spending and associated with a relatively large voluntary sector. Though the UK could perhaps be best described as having a mixed approach: the post-war universal coverage programmes were challenged in the 1970s and 1980s by a new public management approach

that prioritised quasi-market mechanisms to promote efficiency in service provision. In such a system, the state still contributes to the financing and regulation of services, but provision is open to a wide range of service providers, with public sector, for profit sector and third sector competing in the market. It is argued that the relationship between the state and third sector organisations was transformed into one that was more entrepreneurial where money was spent via contracts and third party payments rather than by direct grants (Defourny and Nyssens, 2010).

The concept of social enterprise in the US is slightly different in emphasis than that predominantly used in Europe, focussing rather more on the revenue generation aspect of a non-profit organisation, regardless of how this might relate to the fulfilment of their social or charitable mission (Kerlin, 2006). This alternative emphasis is in large part due to the historical differences of context and use of terminology. In the US, the practice of revenue generation to support social missions has been a foundational part of the culture since religious groups organised bazaars and sold homemade goods to support charitable work. The use of the term social enterprise was only developed in the 1970s to describe business activities of non-profit organisations that were being used as a means to create job opportunities for disadvantaged groups. Significant cuts to non-profit sector funding from the state that occurred during the Reagan administration of the 1980s forced these organisations to seize on social enterprise as a means to offset the loss of funding by dramatically expanding the range of their commercial activities (Kerlin, 2006).

In her analysis of seven regions of the world (Western Europe, East-Central Europe, Japan, the United States, Zimbabwe and Zambia, Argentina and Southeast Asia), Janelle Kerlin (2010) draws upon Social Origins theory to explain the principal differences between social enterprise development in different national contexts. The general theme underlying the emergence of social enterprise in all of the seven regions and countries is weak state social programs or funding, due to either the retreat or poor functioning of the state. The United States, Western and East- Central Europe, as well as South America all experienced, to differing degrees, a withdrawal of state support in the 1980s and/or 1990s.

In Western Europe, a faltering economy was also at the root of the emergence of contemporary social enterprise in the region. In East-Central Europe, social enterprise was also spurred on by a withdrawal of the state, though in this case the cause was the fall of communism. Here, the withdrawal of the state was much more dramatic and was compounded by an already weak civil society undercut by communist rule. Argentina experienced a withdrawal of the state due to structural adjustment programs instituted as a part of market reform. Not only did reforms shrink universal social benefit programs, but dramatic reversals

in the economy resulted in rising unemployment. Similarly in Zimbabwe and Zambia, where such programmes compounded situations of persistent lack of state support within generally poor economies. International aid was increasingly directed to non-state actors via international NGOs and this was the single most important factor leading to the development of social enterprises in the region. Southeast Asia too has also long been associated with high rates of poverty and unemployment that have historically been inadequately addressed by government welfare programs, and exacerbated by the Asian financial crisis in the late 1990s. Recently, however, some economies in the region have begun to show signs of growth along with a burgeoning interest in social enterprise to simultaneously address unemployment, provide needed services, and protect the environment. In Japan, volunteer efforts following a major earthquake in 1995, spurred on by a weak government response, awakened a new interest in grassroots non-profit organizations. Local policymakers turned to social enterprises for help with revitalization and social integration following changes to local laws in 2003 that had led to declines in local community (Kerlin, 2010).

These examples demonstrate the role of historical context in shaping the kind of social enterprise that is expected to be prevalent in different countries and regions. Variables such as outcome emphasis (such as sustainability or social benefit, for example), organisational type (such as no-profit company or co-operative, for example) and legal framework (laws enacted to shape the development of social enterprises) are not uniform across the world, and so it is important to understand why these differences exist in order to better understand the likely direction of and potential for development of social enterprises in a particular country, such as Wales. In particular, it appears that the legal backdrop to social enterprise is a crucial factor in the development of social enterprise. Western Europe is a clear leader in this area, with legal frameworks for social enterprises established in several European countries, of which the UK is a notable exemplar. Supportive legislation is by no means a prerequisite for social enterprise, as indeed many countries demonstrate how it is possible to develop such organisations in the absence of any legal framework or even where such organisations have been outlawed completely. But it is also clear that new legislation can play a very significant part in shaping the scope and direction of social enterprise development. The most obvious example often cited is that of the Italian law adopted in 1991 that outlined the two principal forms of co-operative (A-type and B-type, as previously mentioned), but during the latter half of the 1990s, several other European countries also introduced new legal forms that reflected the emergence of these new innovative forms of provision, even though the terminology of social enterprise may not have been explicitly referenced by the new (Defourny and Pestoff, 2008).

As with in Italy, France, Portugal, Spain and Greece determined new legal forms that were specifically formulated in support of co-operatives. But other countries such as Belgium, the UK, and Italy (with subsequent legislation in 2006) opted to define social enterprises more broadly with open definitions that were founded in concepts of social benefit that transcended any specific legal form and could be adopted by various forms of organisation. In Belgium, these were described as "companies with social purpose", and in the UK as "community interest companies" or "CICs" (Defourny and Nyssens, 2010). Allied to the issue of legislative frameworks for social enterprises is that of public policies for the regulation of public contracts, which is an area that is strongly regulated within European law, for example. There are certain threshold levels under which public bodies may opt to privilege social enterprises in order to support their social value missions, but in the majority of instances this will be too low for the majority of services commissioned by public bodies in the context of services provided in the field of social care services, for example. Over this threshold, public bodies are still able to take account of social benefits and benefits to local economies, rather than simply awarding to the lowest price tender, but the ways in which this can be done are strictly regulated according to the European Commission competition policy. The oldest example of this is contained within the 1991 Italy legislation, where certain public contracts were reserved for social co-operatives, but many other countries have public procurement policies that are much less favourable to social enterprises. An example of this is Sweden, where the Swedish interpretation of the EU public procurement legislation does not allow for preferred treatment for social enterprises because it prevents the consideration of social factors. This has historically also been true of Ireland, the United Kingdom, Portugal and Spain, but other countries, such as Belgium and Finland, are seeking to renegotiate their tender regimes to take account of a wider range of social clauses into public tenders (Defourny and Nyssens, 2010). In the United Kingdom, Finland and Ireland for example, where social enterprises are seen as predominately market-oriented organisations. However, there are alternative views that suggest rather that social enterprises are by their very nature innovative solutions to social challenges of various kinds, and that social entrepreneurs are not and should not be bound to achieving economic sustainability in the same way that is required of traditional private sector businesses. In this perspective, even though a social enterprise must bear some economic risk, it does not follow that their economic sustainability must be achieved only through a trading activity. The resources drawn upon may be hybrid in character, incorporating donations, public subsidies or voluntary resources, and in this way, social enterprises mix the economic principles of market, public redistribution and reciprocity (Defourny and Nyssens, 2010).

3.5 Best practice & Barriers to Success: Learning Lessons?

The regional and national experiences highlighted above serve to demonstrate the value of understanding how the character of social enterprise differs around the world according to local cultural, historical and political realities, and yet how there is also potential for specific social enterprise concepts or activities to be transferred and developed in new contexts, giving rise to unique models. Any domestic or international actors who wish to foster the further development of such innovative forms of social enterprise might benefit from determining which variables are implicit to a specific regional or national context, and which are mutable and might be beneficially influenced with reference to one or more of these international examples. Identifying what works, where and why is likely to be crucial to any such attempt to stimulate a sustainable expansion of social enterprise in a given context.

The success of the co-operative model in Italy is testament to the potential for alternative models to proliferate and become significant providers of public services. In a comprehensive review by Pat Conaty (2014) Italy is cited as the leading example of good practice, where social co-operatives have proven the robustness of the model with a survival rate of 89% after five years. He characterises these organisations as typically having somewhere between 23 to 30 worker members, just over a quarter (26.5%) of them are small with an annual revenue of under €250,000, with only 15% having a revenue of over €1 million. The success of this model is attributed both to their guiding principles and associated characteristics as well as to the legal framework and public policy initiatives that have been implemented in support of this model of public service provision. The four key guiding principles are summarised as:

1) Human scale guidance: A maximum suggested membership of 100 in order to ensure the building of mutual trust and social capital

2) Locality and decentralisation: Operating in the local economy and within defined geographical boundaries

3) 'Strawberry fields' principle: An obligation on each successful social co-op to incubate and support a new social co-op

4) Co-operative Consortia unite co-ops in specific sectors: Providing access to pooled resources, such as legal advice, regulatory support and back office administrative services, and enabling increased negotiating and tendering power through a federated structure

The legislative and policy supports in Italy include:

1) A lower rate of tax compared to other companies

2) A lower VAT rate (4% compared to the usual 21% rate)

3) Type B co-ops are exempt from national insurance contributions for their disadvantaged workers

4) Tax relief for donors to social co-ops

5) Trading surpluses are not taxable if placed in capital reserves

6) Investment returns of up to 80% of profits can be distributed to multi-stakeholder members

7) Public investment stakes are permitted up to 7% for Type A social co-ops and up to 50% for Type B

Based upon the evidence from Italy and other international examples, Conaty (2014) proposes ten action points that he deems as crucial for the successful development of UK social co-operatives:

1) The promotion of a new concept in meeting member needs – the multi-stakeholder co-operative among a growing group of practitioners

2) The importance of an agreed Social Co-operative legal definition

3) Tax reliefs and incentives from central government linked to policy objectives that can be measured

4) The successful development of public-social partnerships between co-operatives and public sector bodies at local authority and national levels

5) Negotiated agreements between the trade union movement and the co-operative movement to give assurances that the new co-operatives will not threaten existing public sector jobs

6) Co-operative financing systems to provide access to co-operative capital for start-ups, for development and for risk funding

7) Co-operative consortia to reduce operational costs and to provide training and other shared services for social co-operatives

8) Co-operative education to develop an informed membership and informed commissioners

9) Toolkits – to enable local co-operators to get on with the job

10) The role of strategic thinking, research and collective intelligence to drive innovation

It has been argued that the different models of organisation and variations in approach and emphasis, while predicated on different historical, economic and socio-political contexts of third sector development, are important for identifying where relative strengths and weaknesses offer opportunities for countries to learn from each other. Specifically, Kerlin (2006) uses the examples of the Unites States and Western Europe to highlight how new organisations, supported in the correct way, might be encouraged to take the best characteristics of each model in order to create new innovative forms of social enterprise. She states that Western Europe has much to teach concerning the involvement of service recipients in the social enterprise, whereas the US offers important examples for Europe on how to use social enterprise across a range of services, on how to expand the types of social enterprise, and the targeted use of government contracts for social enterprise. The historical

contexts of social enterprise development in each region has led to a relatively narrow focus in Western Europe on work integration and personal social services provision, whereas in the US social enterprises support a much broader range of services outside of such areas, such as environmental protection. Likewise, the breadth of income generating activities conducted by social enterprises in the US is significantly greater than in Western Europe. Though it may stretch the dominant conception of social enterprise in Western Europe, there are successful examples of social enterprises in the US who have generated funds through cause-related marketing (co-branding of for-profit products), partnerships with for-profit companies, and the formation of for-profit subsidiaries by non-profit organisations. Governance too is an area where Western Europe take a strong lead. The multi-stakeholder approach and more democratic management style of many Western European social enterprises serves to build civil society and strengthen democracy, she argues, whereas the close alignment of social enterprise to processes of marketization has contributed to a weakening of civil society that would be somewhat ameliorated by greater stakeholder involvement and democratic inclusion of individuals oriented to the community to strengthen social capital. Lastly, though government in the US is relatively uninvolved with social enterprise, US federal government legislation does provide one area of support for social enterprise products by enabling local state governments (over half participate in the scheme) to use 'set-aside funds' to purchase goods produced by 36,000 employees in sheltered workshops. Western European governments could look to this model as inspiration to establish similar supportive arrangements that would encourage the success of social enterprises (Kerlin, 2006).

4. Methodology for Qualitative Data Collection & Analysis

4.1 Study design

This project utilised multiple methods within a case study framework (Yin, 2014), including a review of the literature, interviews with key stakeholders and comparative policy research. The exploratory nature of the research meant that in-depth qualitative interviews were selected as the most appropriate method for eliciting data from different stakeholders from a range of backgrounds including social enterprises, Local Authorities and Welsh Government.

4.2 Recruitment of research participants

Scoping work was undertaken in order to successfully identify the range of stakeholders who were aligned to the issue of models of social care provision in various capacities. This was achieved largely through developing relationships with key contacts in targeted organisations who we knew were connected to a variety of networks and whom could act as 'gatekeepers' who would be able to direct us to other key contacts within these networks. Organisations approached in this way included several quasi-autonomous non-governmental organisations in Wales who were explicitly involved with the support and development of third sector

businesses, as well as key figures within local and national government who were able to identify at least one key contact in each of the 22 Local Authorities who was responsible for working with the third sector. A snowballing process was utilised in order to identify additional contacts in each of the Local Authorities, who might also be working in Social Services departments or under Community Regeneration remits, for example, with interest in social enterprise provision of social care services. Stakeholders from a variety of organisations were then mapped onto a spreadsheet matrix from which a broadly representative sample was selected. Through these key stakeholders it was also possible to identify social enterprises that were involved in the provision of social care services, and from these to identify a suitable case study for the research.

4.3 Interviews

The interviews were conducted as 'guided conversations', utilising informal interview schedules and open-ended questions. Interviews were undertaken between May and November 2015. The interviews were audio recorded and transcribed verbatim. All names and other identifying details were removed from the transcripts to maintain confidentiality. The interviews began by exploring with participants what their role was in relation to social enterprises and/or the delivery of social care services. Other questions were informed by the literature and the aims of the research, specifically around the various factors which could be characterised as those that either inhibit or encourage the success of new and existing social enterprises in the field of social care provision.

4.4 Data analysis

The qualitative data from both the stakeholder interviews and the case study have been analysed using Framework Analysis (Richie and Spencer, 1994), using NVivo 10 analysis software. This entailed a combined approach to analysis, enabling themes to be developed both inductively and deductively from the existing literature. The analysis followed six principal stages:

1) Familiarisation with the data
2) Coding the data
3) Development of the working analytical framework
4) Application of the framework
5) Mapping data onto the framework matrix
6) Interpretation of the data

In order to become sufficiently familiar with the data, each transcript was read and re-read, together with listening back to the audio recordings in order to ensure the accuracy of the transcription. At this stage it was also common to make notes in the margins of transcripts if anything was considered to be of particular interest. This familiarisation and note making made subsequent stages of the analysis easier and less time consuming. The process of coding

consisted of using NVivo 10 software to highlight interesting segments of text and describe the content of these sections with a code. This initial coding was initially open and iterative, with the aim of developing thematic categories. At the end of the coding process, a more systematic refinement of the codes was conducted in order to form the initial analytical framework. The analytical framework was then applied to each transcript, and the relevant code applied to each segment of text that was of interest. It was not uncommon for the same segment of text to be coded with two or more codes. Once all the transcripts had been coded, a framework matrix was created within NVivo 10, with a separate line for each coded transcript and a column for each code of the framework. The cells of this matrix was then used for indicating which of the quotes was most illustrative of each particular issue identified. In order to assist with interpretation of the data, themes were generated from the matrix by making connections within and between participant and code categories. During the interpretation stage, efforts were made to move beyond descriptions of individual accounts towards themes that best connected with ideas that were generated across the range of respondent interviews and that offered insights into what was present within the data as a whole. The thematic categories from the resulting framework which relate most closely to facilitators and barriers to social enterprises are discussed in this report.

5. Findings from Key National Stakeholders: Perspectives on the Support & Development of Social Enterprises in Wales

5.1 Confusion about social enterprises

There are many different approaches to, and organisation of, social enterprises. The terminology in common use can seem confusing to those unfamiliar with the field, with co-operatives, mutual and other models all comprising examples of social enterprise, where such terms are commonly used interchangeably but have different meanings (Girach and Day, 2010). An important issue raised in many of the stakeholder interviews was the idea that social enterprises are often poorly understood, even amongst those who are involved with delivering on the obligations outlined in Section 16 of the Social Services and Well-Being (Wales) Act 2014. Lack of knowledge about social enterprises ranged from a general ignorance of their fundamental characteristics and potential role in contributing to a mixed economy of service provision through to a confusion around finer points of clarification, such as the various models of social enterprise and similarities and differences to other third sector organisations.

In essence, social enterprises are businesses that are guided by social objectives, with surpluses reinvested in the organisation rather than being taken as profit by investors. Within the range of organisational models there can be variation in the legal framework, internal governance structures, and what (if anything) is actually 'owned' by staff. 'Social enterprise' is

considered here to be an umbrella term to describe this range of organisational forms, some of which include elements of employee-ownership or mutual and co-operative design. Clearly if one is to work towards supporting social enterprises in the provision of social care services, it is important for all stakeholders to be clear on exactly what social enterprises are, and the characteristics of different models of social enterprise. But perhaps more importantly, whilst a general appreciation of the nature, role and scope of social enterprises was evident in the data, given that many respondents were actively engaged with the sector, there was also a degree of confusion evident. And an acknowledgement that awareness of social enterprises was sometimes lacking in organisations or departments that could or should have a role in supporting and developing social enterprises to provide social care services. For example, one respondent commented:

> *"So some people in the social enterprise field don't count the care traders as bone fide social enterprise work... so um, social enterprises have in their mind a narrower definition of being an organisation which includes or benefits people with social care needs, but actually it's providing a service or a product that's nothing to do with social care. So, you know, it's recycling furniture or it's producing sellable candles or whatever. That's the more classic sort of social enterprise field. So I'm mentioning this sort of confusion in terms because, you know, clearly a local authority will have a different view depending on what you might be talking about."*
> (LA Stakeholder, Social Services)

And even social enterprises might not be aware that they are considered by others to be social enterprises and thus included in the focus of the Social Services and Well-Being Act (Wales) 2014:

> *"Like you know so I think even some social enterprise are confused that they're social enterprise … [Laughs]… which is a bit bizarre… Like you know, the old charity [that's] been there for donkey's years, they can't be social enterprise, yes they are."* (LA Stakeholder, Community Regeneration)

5.2 Implementing Section 16

Related to the issue of definitional and role confusion regarding what social enterprises are and what they do is that of the implementation within Local Authorities of the duties outlined in Section 16. Whilst there has been a lot of consultation work involved with the development of this legislation and Local Authorities have had opportunities to engage with this process, it is interesting to note how some have taken a less than proactive approach to the expected responsibilities. For example by expressing the expectation and desire for explicit guidelines that would outline a course for implementation such that they can easily demonstrate compliance with the Act.

It is likely that the absence of clear operational guidance in the Act or associated publications is due in large part to the fact that a 'one-size-fits-all' proscriptive approach to implementation would have been problematic, given the wide variation in geography, demographics and other defining characteristics of each of the 22 Authorities. At the time this research was undertaken there appeared to be a very wide variation in the extent to which different Local Authorities had been historically engaging with Third Sector providers and the level of strength and experience in actively supporting and developing these organisations. This was reflected in a view that for those who have not historically engaged with the sector, the implementation of Section 16 is going to be significantly more challenging:

> *"I think certainly a number of my colleagues would say they're waiting to be told. Well, we never wait to be told, so that's just never gonna happen for, I mean, I'd never wait for Welsh Government to tell me what to do. But, so but they are waiting, and of course, they're getting anxious because they're thinking it's August, it's got to be in by April, and I'm saying… You know, none of this is going to be in by April, if we've taken four years in this last tranche of work to get to where we are and we had a integrated base to start from, you lot aren't even integrated, how on earth do you expect you're going to get to that place. So I think people are realising that… more realistic people are saying, you know, we'll just be doing bit by bit. Erm, it's big, it's massively challenging and if you haven't started, poor you, that's what I think."* (LA Stakeholder, Social Services)

In addition to this variation between Local Authorities, there are also issues within Local Authorities where there might exist a history of supporting social enterprises, but where the requirement to implement Section 16 now requires a more coordinated and collaborative strategy from individuals with different areas of responsibility, such as those in areas of business development and social services. As this respondent comments, communication between these different groups and an alignment of motivations can sometimes prove problematic:

> *"[Section 16 is] not really the big bang that we need to make it work. Local authorities are faffing around about how their duties will change and other parts of the Act and there's nobody actually looking at that growth, linking that to economic growth. And when we talk of economic growth you can see social workers' eyes, it's almost glazed over, they don't care do they, it's not their [area of] interest. They are interested in people being safe and safeguarding and you know, stuff, money sometimes because of budgets, but they are not interested in what we're talking about, jobs and growth."* (LA Stakeholder, social enterprise support)

5.3 Grants & Financing

The issue of grants and other means of financing social enterprises is commonly reported in the literature (Bielefeld, 2006; Bielefeld, 2009; Lampel et al., 2010), and was also ubiquitous in our data. Typically stakeholders expressed concern that there is an emerging gulf between the stated aspirations of Welsh Government policy with regards to the support of social enterprises and the availability of the necessary material support that will enable social enterprises to be developed to a stage at which they can attain a degree of profitability and self-sufficiency.

Historically social enterprises have had access to various grants and other bursaries, often through Local Authority budgets, but these funding sources are no longer so readily available, for a variety of reasons. Both social enterprise and LA stakeholders have commented that accessing finance is crucial for the success of many kinds of social enterprise, particularly for 'pump-priming' in the first year or so of trading where they are much more vulnerable to becoming insolvent before they have become properly established as sustainable businesses:

> *"So it's not a matter of oh we don't want to be giving them grants all the time, when you first start out as a social enterprise you need that grant…for quite a few years until your trading arm is strengthened."* (LA Stakeholder, Community Regeneration)

The issues are very different for different models of social enterprise, of course, but all must either rely on grants, loans or turnover (or a mixture of these) in order to survive as they are or to grow to become self-sustaining. The differences between the access that social enterprises have to finance, as compared to finance available to, by virtue of their ownership structure and other qualitative differences, mean that they are at a structural disadvantage compared to private sector provider organisations operating in the same economic sector:

> *"…the key message from us would be that without kind of, you know, we think you know investment is a huge part, 80% of growing the business because it is very much about access to finance which is a huge issue for social enterprise. so I think you know because of the way they are set up and structured… there's a major gap in the market at the moment in terms of you know pump prime kind of upfront investment for new business. For new social enterprise business… grants can plug gaps where loans can't or have a mixed bag then of finance. Erm, I think that's going to be a huge detriment to the sector going forward, especially you know if they are looking at this act as seriously as they say they are."* (social enterprise Stakeholder, social enterprise support)

Another issue identified in relation to the availability of grants is that this has an influence on the model of social enterprise that is selected by prospective social businesses. Associated

with this is the suggestion that the availability of grants to specific models of social enterprise may lead to a disproportionate number of that kind of model being established, even though this may not be the best choice of model for delivering social value to a community.

> *"…people seem to assume if you're in the third sector that you can easily get grants… so let's give it [spin out a service] to the third sector 'cos we can get money. But what you find is that the grants are getting smaller, and they're getting more difficult and they're very competitive. So it's not as simple as give it to the community because they can get money… and also sometimes sadly you hear it with people that have set themselves up as a CIC [community Interest Company]. Like it makes you wonder if the pot of money hadn't been around would they have just set themselves up as a private company… their social value probably isn't as strong as it should be. Like you know because they can get money under a CIC, you see."* (LA Stakeholder, Community Regeneration)

The implication here is that grant monies should be directed towards those social enterprises who can demonstrate the most social value, rather than directing towards what is, in effect, a fairly arbitrary category of social enterprise.

5.4 Local Authority engagement & support for social enterprises

Our respondents cited a wide range of activity across different Local Authorities with regard to engaging with social enterprises and the third sector generally, and specifically in terms of identifying and directing support towards the various development needs of social enterprises. Issues of engagement were especially apparent where a LA had one or more people directly or peripherally involved with working with and supporting social enterprises, but where other key individuals and departments were not equally motivated by this agenda, or where they had obligations that were at odds with or tangential to the need to develop service provision capacity from the social enterprise sector.

Allied to the Social Services and Well-being (Wales) Act 2014 was a mandatory directive to Local Authorities to recruit or assign an existing member of staff to be a Social Enterprise Development Officer. From our research it became clear that, by mid-2015, not all LAs had yet filled this role, and where they had, very often the person appointed had already been fulfilling a similar role in a field such as business or community development, for example, and their role therefore did not change significantly thereafter. While it appears that the extent and quality of engagement with social enterprises varied quite considerably between LAs, there was evidence that some LAs had a great deal of experience with both fostering 'spin outs' of formerly statutory services as well as developing new social enterprises by identifying and responding to their specific support needs. One LA that had accessed a dedicated European

funding stream had many years of experience in developing social enterprises gives an overview of the main kinds of support provided:

> *"…the scheme was tapered funding so in year one we could fund up to 100% funding but then… it tapered off each year so that they have to increase their trading capacity to make them sustainable. We provided quite a lot of support in the upfront stage of the project, so kind of getting the governance right, getting their business models right. Overall we worked with 110 either social enterprise or aspiring social enterprises, but we only funded 29 so obviously a lot of them just didn't hit the mark in terms of sustainability, their financial position, skills and capacity of the board. They were kind of the key issues."* (LA Stakeholder, social enterprise support)

But the above quote underlines the issue of funding already mentioned above. Where there is no allocated funds to support this kind of work, it is unclear to those involved whether this kind of support can be sustained in an increasingly cost-cutting context. Where budgets for such work are more restricted it is easy to see that such work could be considered as secondary to the 'core' role of LAs in their capacity as providers of services. LA stakeholder respondents commonly alluded to the fact that their work was not possible in isolation, and that it required significant 'buy-in' from others in the authority, particularly those in charge of delivering services. But, of course, the priorities of these individuals are going to be different to those seeking only to support the role of social enterprises in the provision of these services. For example, this respondent explains how her attempts to encourage a LA director of services to engage with her key social enterprise contacts had stalled because of other priorities within that department.

> *"So we then went to see this director [of LA services] and it's halted a little bit, because that department that it all sits in… has just recently gone through a major restructure, agile working, it's got a lot going on with it and probably the last thing it wants is to start looking at… social enterprise and that's why we've halted a little bit… like the council are not taking it seriously"* (LA Stakeholder, social enterprise support).

And similarly, to underline one of the issues that causes potential tensions between the objectives of a Head of Social Services and those in a social enterprise support role, specifically with regard to the difference in timescales in which each party is conceiving of the potential value of such work:

> *"Yeah, our own, you know our own manager, she's supportive-ish, she's working on corporate priorities which is basically around reducing budgets and … there's me going oh this is a fab opportunity, not sure what the result will be, it's about 5 years work and in the end… she's in the middle of the storm trying to save money*

and sack people and get rid of people, and there's I am going, really invest in the social economy… She's going to be, pardon? Are you serious?" (LA Stakeholder, social enterprise support)

5.5 LA strategic services delivery

Some LAs are not only interested in providing business and other guidance to social enterprises, but they are implementing a more wide ranging approach to an integrated and holistic provision of services, encompassing a range of strategies that enable communities and organisations to take a more active role in designing new services or determining the direction of existing ones. Such strategies and policy directions were not necessarily explicitly related to the objective of supporting and developing social enterprises. Rather it was often the case that the priorities and desired outcomes of such strategies, such as engaging with local communities to determine the exact nature of local needs or moving towards more effective and efficient models of provision, for example, were naturally in accord with the potential role of social enterprises in providing specific services.

> *"Erm, I mean, we buy from all of those sectors now and, you know, it's a really mixed (laughs) economy of quality, you know, some of the organisations that we work with that you'd probably put in the private bracket, some in the charity bracket, and some in the not… we haven't got many not for profit, but I wish we had more of the not for profit, but we don't have many of those... I mean, money is an issue, we have to pay the right money for the right quality, and we're not paying enough, absolutely not paying enough. But equally, it has to be met by organisations that really do have that sort of purpose and vision about what they're doing and why… for that quality purpose. And we're challenging that a lot, certainly in the, erm, residential sector."* (LA Stakeholder, Social Services)

This same respondent went on to describe the process of change that is currently underway in the LA, and of the aspirations of moving towards the procuring from a range of providers from different sectors who can demonstrate that they have social value and quality at the heart of their services:

> *"So that's the challenge for us, you know, how we take that forward. You know, I could probably name on one hand the ones that I think have got it and has the right almost philosophical and ethical approach to social care, and the rest are a mix of all sorts, really, some of it's just necessity… But to get from where we are to where we want to be is going to be quite a long road."* (LA Stakeholder, Social Services)

The issue of 'spinning out' services is also very pertinent here. It is clear from our data that there are different motivations at work for such externalisation of formerly statutory services to either the private or Third Sector. Cost savings are often cited as a reality for Las and as

reason for considering whether a service might be provided by another organisation. But there was also a strong sense that LAs are frequently very sensitive to ensuring that such 'spin outs' are appropriate and that this process can be effectively managed to ensure that the needs of service users are met with at the same level of quality, but potentially that services might also be improved through externalisation. As this respondent explains:

"…handing something over and making it a social enterprise means that costs can be reduced… So that's a big, that's a big, big reason for doing it, yeah?... Erm, [but] that's not the main reason for doing it… we have to recognise there are certain services within the Council that we do not need to deliver, other people could possibly deliver them in a better way… but we've got to make sure that there's an element of control, really, so that politicians… who represent their communities and wards and whatever, feel comfortable that they are still gonna have services which will, will be maintained at, at a certain standard, really." (LA Stakeholder, Social Care)

And similarly, this respondent explains how social enterprises and other innovative ways of providing services should constitute a core part of the way in which LAs are thinking about making fundamental changes to the way in which services are provided, changes that should have the needs of the service user at their heart and that represent best value in terms of the allocation of limited LA resources:

"… and when you're trying to create a change sometimes you've gotta take risks, but they've got to be measured risks. So when you're coming across, for example, people who are away from their community, in residential provision, you've gotta ask your question, and it should be asked at every review, "Are you happy?" "Yes, I am". "Do you feel safe?" "Yes, I do". "Are the standards good?" "Yeah", whatever. Why would a social worker wanna move them out of a residential placement if they're not asking to be moved, right? But we've got to be challenging that and saying, hang on, or, you know, why are they here? Why aren't they back by the community?... Now if we put a support package to make that happen around, there's a cost there, right. But can we deliver it in a different way?... We should be creating opportunities where people aren't just going to a Day Service cos then they can be looked after there and there are people in residential care that shouldn't be there." (LA Stakeholder, Social Services)

5.6 Austerity & Efficiencies

The impact of the current fiscal crisis has added to urgency to the need to develop innovative models of social care based on values such as co-production, mutualism and localism (Evans et al., 2012). The issue of austerity cuts and the need for LAs to engage in significant cuts to

budgets is a common theme throughout many of the stakeholder interviews. It represents an ongoing and fundamental reality that is closely related to the recognised need for LAs to think carefully and imaginatively about how to manage these cuts so that the impact upon service users is kept to a minimum. The cutting of budgets is a reality that has brought the issue of reduced services into sharp focus for Local Authorities, and has increased the number of statutory and discretionary services that are, or are being considered as candidates for 'spinning out' into the private or third sectors.

There is a strong sense in the data that externalising to the private sector is sometimes politically challenging and has implications for the quality of services and staff wellbeing. Aligned to this is the notion that social enterprises might represent a better option; yet the practical means by which this might be achieved such that both costs are reduced and quality maintained is frequently a question left unanswered:

> *"There's a political shift, yeah, certainly at a higher level, and a political shift to look at how can we externalise or transform services or activities that the councils currently run. Erm, so the issue is, you know, looking generally, how can the social enterprise or community enterprise, you know, actually meet the gap that could be created when these services disappear?"* (LA Stakeholder, social enterprise support)

Austerity is often presented as a core reality that shapes much of the debate around the need to support social enterprises, but also as a fundamental barrier that hampers attempts to achieve this aim because funding and other resources are reduced or are no longer available. There is a double-edged quality to this. From the point of view of social enterprises, the effect of budget cuts is not only about a reduction in the resources available to them via LAs and other statutory organisations, but that such cuts also impact upon the attitudes and behaviours observed within LAs with respects to their dealings with social enterprises, whether this be changes in appetite for taking risks with new ways of working, or in terms of entrenching their provision of services rather than looking to 'spin out', even where this would offer better value:

> *"…the Local Authority have definitely reduced the amount that's been offered out to the third sector and they're increasingly pulling it in-house and that, I would say that's probably the greatest trend because [the Local Authority] has to make about eighty million in cuts over the next two years. If you were a Local Authority and you had to try and cover your core staff would you use the funding that's available to cover your core staff or would you offer it out to the third sector to deliver even though you know it's gonna be more efficient and effective [than providing it in-house]?"* (Social enterprise Stakeholder, Social Services)

The 'Catch 22' nature of wanting or needing to support social enterprises in order to make savings (when it has been identified that it is politically more desirable to spin out services to social enterprises than to the private sector) in a context of reduced resources for achieving this was observed by a number of stakeholders. One social enterprise respondent described how any LA strategy for making efficiencies whilst simultaneously drawing upon the expertise of social enterprises in how to deliver high quality user-oriented services must include a high level of networking and co-operation between LAs and social enterprises, to develop a collaborative infrastructure of provision:

> *"…the most obvious answer is for them to ensure that they have their own capacity for um, infrastructure development… What is required is for a local authority to know what's out there and who's out there and what they're doing and how they are already fitting in to the local authority's strategy for building a sustainable community. Or communities… to engage with those agencies and associations and community groups and so on so that they are bedded into the strategy, and you know, and that you get collaboration between those agencies and between those associations, and that you as a local authority are also listening to what they're saying about what works and what doesn't work and what needs are and what needs aren't... And to go back to where I started, if the local authority cuts itself to the point where it has no capacity to do that work, then it can't happen."*
> (Social enterprise Stakeholder, Social Services)

5.7 Procurement & Tendering

Issues relating to commissioning of services by third sector organisations features commonly in the literature, being identified broadly as an important mechanism for successful third sector involvement in the provision of services (Wright, 2008) and more specifically in relation to the benefits (in the form of reliable income and the opportunity to influence policy) and risks (such as conforming to bureaucratic mandates and the challenges of demonstrating their social value in ways that make sense to public sector funders) of such engagement (Baines et al., 2008).

Within the literature relating to the commissioning of services from the third sector, there is general acknowledgement that commissioning needs to be improved. There is support for what has been termed 'intelligent commissioning', which refers to an approach that seeks to capture the assumed beneficial distinctiveness of third sector organisations by setting out specific requirements that play to their strengths. Specific changes proposed to facilitate this include the eradication of short term contracts, a greater involvement by service users and the sector in the design of contracts, and a greater clarity about outcomes and the wider social

benefits to be worked into contracts (Bubb, 2008). Smaller organisations have been found to struggle with contract culture for both pragmatic reasons such as a lack of capacity to respond to tenders and manage contracts, but also for cultural reasons such as lacking experience of the requisite commercial language and style of contracts (Chandler, 1996).

Echoing many of these issues, the subject of procurement and tendering was a common theme to emerge in the stakeholder interviews. This was identified as one of the main areas where social enterprises are lacking in the necessary skills to demonstrate their social value as part of this process. It was also widely recognised that this issue was a key factor that impacted upon the ability of social enterprises to grow and develop their businesses successfully in a competitive environment, where the cost of delivering services is such a critical factor. In addition, several pragmatic challenges were identified that contribute to this difficulty, such as the relatively small size of the majority of social enterprises and the prohibitive challenges for LAs in managing lots of small contracts for locally provided services over a single large contract from a larger private company, for example.

The differences between smaller social enterprises and larger private companies were described as being in stark contrast in relation to the way in which value is calculated for the purposes of winning a tender from a LA. The need to demonstrate sufficient social value in such a way that it makes the social enterprise a more appealing candidate for long-term community investment when, as is often likely, they cannot compete directly on cost, was a commonly cited issue:

> *"… the difficult thing is very often these organisations [social enterprises] are not good at recording social return on investments. So they'll very often say we run our service for £15,000, social enterpriseRCO comes in and can run it for £12,000. There's very often that kind of clear decision that social enterpriseRCO gets that contract because, and this is where my concern is as a local authority, there's lack of forward, a foresight really in terms of long-term impacts in the community."* (LA Stakeholder, social enterprise support)

Support was often given to ensure that social enterprises are sufficiently representing the scope and extent of the social value that they are able to provide to a local area. This was about developing the necessary skills to identify and effectively communicate the various ways in which the social enterprise would be contributing to the local economy and wellbeing of service users. As this Stakeholder explains:

> *"I had a social enterprise here who rang me not very happy about, maybe two years ago or something… [the] social enterprise had been doing a contract with [Local Authority] for years and then it all went belly up on the new contract… And that tender went out to a firm based in Germany, and so you think oh well what's going*

on here?... 'cos you know in the scoring there's a technical score isn't there and there's a quality score and they might do well in the quality because they really can sing and dance about what they're doing, it's a social value. But the technical side might let them down a little bit. So there may be a capacity building, you know, kind of a training mentoring element. That doesn't mean they can't do it, maybe they just can't write it, you know what I mean, or identify it in that way." (LA Stakeholder, social enterprise support)

There was also the assertion that social enterprises were not operating on a level playing field against larger organisations in the private sector, who will often have dedicated resources for ensuring that they score highly in social value weighting, even if in practice a local social enterprise might be better placed to deliver more meaningful social value to the local economy:

"Well, um, the scoring on tenders, as good as it gets is 40% for costs, 60% for quality. And in, in some cases um, it can be the reverse. Um, so… then that is going to be a huge player in who gets the contract, no matter how good you are on the quality side. Forty, um, 40% of your marks or 50% of your marks is a heck of a ground to try and catch up. And then you add that the fact that increasingly local authorities are doing online tenders… frequently no interview, no testing of the validity of what you put in those answers, and the not-for-profit sector in putting in those submissions can quite often be up against a large private sector organisation with a dedicated tender team, you know, in Reading or Sheffield or somewhere, and you've got this team of three tender-writers who are expert at reading a Spec and reading the questions and knowing exactly what bollocks to put, if I can use that word?.. So we recently lost a tender in one of our areas where we are very well regarded to a large private sector organisation which subsequently has been bought out by an even larger private sector organisation with their headquarters in New York, and yet they picked up the contract for a service in the most rural and Welsh part of Wales [laughing]… I mean there has been talk about, what do they call it? Public value ratings in tenders, [but] I've seen no evidence of that yet."
(social enterprise Stakeholder, Social Care Provider)

There are also practical issues identified that serve to inhibit the ability of social enterprises to successfully tender for LA contracts. The tension here again might be summarised as being one between stated aspirations to encourage social enterprises in the economy of services provision, and the ability to deliver on this with limited resources. For instance, as this respondent states:

"You know, we have made our social enterprises better, the ones in [Local Authority], but we haven't got them up to the capacity individually where they could bid for some of these packages that are coming out. So the way the packages are

coming out, they are too big… And that's the issue. I think the Wales I want isn't necessarily the way we, what we're getting now, these contracts isn't the way that I want. I don't even think it's what the Welsh Government's rhetoric wants either. It may be where we end up because there's no other place to go, because in managing, think about it from the costs we are doing, managing a range of little contracts, that is a much harder job than managing one big contract." (LA Stakeholder, social enterprise support)

Whilst this issue was often presented as a barrier to social enterprises gaining contracts from LAs, there was also some discussion of the potential for these tendering and commissioning practices to be more strategically aligned to wider objectives regarding supporting a mixed economy of services provision that would give more opportunity to social enterprises:

"I've seen evidence of a question being asked, you know, please explain how you will add public value to your tender in terms of addressing the needs of our local unemployed or something like that. P.S., there is no score attached to this question. Now there could be scope for more scores to be attached. I would like to see a whole range of ... in so far as we have to go down this procurement route and I'm not at all convinced it's the way to go… I would like local authorities to be able short-list providers in the first instance on the basis as to whether, you know, they have a local track record and or they can evidence say, local commitment; that they are recycling their income locally in terms of what they do with the money, you know, where they bank it, where their head office staff are. And so on… And you know, and you could add a range of things to that as well. Evidence of local community networks and collaboration, and detailed questions about how they would build in to the local community building strategy." (social enterprise Stakeholder, Social Care Provider)

5.8 Staff & Quality issues

Some stakeholders were acutely aware and concerned about issues of quality, for both service recipients and the staff providing those services. Whilst cost efficiency is a principal factor that determines the direction of commissioning and tendering practices, the drive to cost efficiency has an impact upon the quality of services provided, and closely related to this, the maintenance of high quality and adequately remunerated staff. Stakeholders were often acutely aware of the tension between achieving cost savings and ensuring a minimum level of quality, and the great difficulty involved in walking this line. Whilst this challenge was frequently alluded to, it was often accompanied by a sense of moving into unknown territory with regards to the potential value offered by social enterprises.

The issue of whether staff satisfaction and service quality are better in LA-provided services as compared to those in social enterprises or the private sector is identified as an important consideration, and respondents frequently alluded to the fact that while it might be widely accepted that particular services aren't adequate on a number of scores, it is often difficult for LAs to address such quality concerns while their hands are effectively tied by economic considerations. As this respondent makes clear, it is very difficult for social enterprises to compete with private sector companies whilst maintaining commitments to minimum standards of service quality and staff remuneration appropriate to their stated organisational values:

> *"Well there is a tension and a relationship between cost and quality… as a provider I'm in the same position as commissioners and that is you don't really know how low you can go until you've gone too far… So in-house state-funded support staff, you know, on seventeen and a half grand as a care worker are gonna have far less [staff] turnover than in my organisation which is paying twelve and a half... I mean, there's no doubt in my mind that the vast majority of local authority care homes were and in so far as they still exist, are way better than your typical private sector care home. But in a range of other models of service, let's say learning disability day services, an awful lot of them are pretty damn awful if you were to compare them to some innovative social enterprise model, even though the staff in the innovative social enterprise model are paid a few thousand pound less than the care staff… And in so far as we are able to attract people to come and work for us because they share our passion for doing the right thing… then we can still recruit and retain good people... But at some stage or another, and as I say it's difficult to know whether you've got there until you've passed it and things start falling apart, the drive to reduce costs in social care has got to hit a point where people are not safe… and to some extent even more crucially, there is no capacity to provide a person-centred user-empowering creative service for people."* (social enterprise Stakeholder, Social Care Provider)

This respondent goes on to explain the difficult relationship between social enterprise care providers and local authority commissioners in more detail. A principal tension is described between valuing the quality of the service being provided by the social enterprise and attempts by the LA to push down costs year on year:

> *"…all too often er, our experience is, "We really like you. We think you're doing a good job. You've been so helpful at cutting your costs year on year for years"… and that's what we've been doing. You know, it's as scary as hell, shaving management and overhead fees to... Well, we're down to 8% as a central management charge and it used to traditionally be 17%. And most local authority*

overheads, if they're honest about them, are 25% or above. And we're down to eight, with no sign of that ever changing and probably getting worse. Our staff haven't had a pay-rise for five years. Meanwhile, of course, George Osborne has awarded them an automatic pay rise over the next five years. The only problem is he hasn't funded anybody to pay it… we've calculated that to implement George Osborne's minimum wage increase from next April, it will cost us, just [social enterprise name], a million pounds… And this is at the same time as we're anticipating over the next five years a 30% cut in local government funding." (social enterprise Stakeholder, Social Care Provider)

6. Findings from Case Study: Evaluation of the Pragmatic Experiences of an emergent Social Enterprise in Wales.

The case study selected was a community generated social enterprise based in South West Wales. At the time of writing, this social enterprise was at an early phase of development and working hard to realise its goals and achieve full operational capacity. Its stated aims were to improve the health and wellbeing of local residents through establishing a non-profit care company which would provide care packages at a number of levels to meet the needs of individuals in the local area. A specific intention was to support the older and more vulnerable members of the community in their efforts to stay in their own homes and remain as active members of the community for as long as possible. This would be achieved principally through the establishment of a team of trained volunteers who would provide targeted and tailored support for older people with specific unmet needs. The social enterprise aimed to ultimately employ and train people from the local community to act as paid carers, providing social care services to residents.

There were a number of closely related themes that emerged prominently from the data, each contributing to an understanding of why innovative models of social care provision are perceived to be able to offer added value and also the various challenges that exist for social enterprises in their attempts to become established providers[10].

6.1 Perceptions of inadequacy of domiciliary care services in semi-rural areas

A recurring theme within the case study was the *perceived* inadequacies that exist in the current systems of domiciliary care provision, particularly as these pertain to more rural areas where clients are often living in small villages or remote locations. The personal narratives and

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[10] It is important to view this exploratory research in the context of an emerging social enterprise that at the time of writing (March 2017) is still trying to secure income streams for a sustainable future.

anecdotal recollections of case study respondents were a key way of buttressing views that smaller and more local social enterprise models could be a more effective and efficient means of meeting the needs of local clients. But these narratives were also necessarily illustrative of the structural context of semi-rural areas which ensures that provision by larger regional providers is incredibly challenging, and especially so in a climate of cost-cutting where margins are slim and the lack of adequate resources. One case study respondent described the case of her friend whom she regularly visited at home:

> *"… well it got to the point where she was virtually bedridden, she couldn't move very well in bed and I kind of found her one day with a great heap of debris by her bed, essentially a mixture of drug packets, food, used tissue, you know it was a really nasty mess. I thought why are these carers leaving this… [I] then found the fridge was in a terrible state because she'd been asking them to buy food… and it was rotting in the fridge. So I left a message in the kitchen saying to the carers "I had to do this, this and this and I don't really think this should be happening, you know can you please make sure she can reach things and will you clear it up". Well I got a call from social services saying "who are you, why are you leaving us notes in the kitchen?" And I said well I'm a friend... and I'm having to try to deal with the situation and I'm finding that I don't understand why you're calling this care because I don't call it care"* (Respondent A1)

This quote is illustrative of the kinds of experiences referenced by many of the respondents in this case study, of family members or friends or known members of the community who have had poor experiences of domiciliary care that has been provided by private sector providers. The kinds of problems experienced by these clients are well documented in the literature, and include experiences of time constrained visits, a lack of flexibility and appropriate responses to the changing needs of clients, and a perceived lack of care or compassion (either from the care worker or the care provider) if/when attempts have been made to identify failings or request a better standard of care[11].

6.2 Innovative Social Enterprise solutions to domiciliary care provision?

Such narratives of failing services provide stark contrast to the stated aims and objectives of smaller scale social enterprise models of care provision that provide (or are working towards providing) care to relatively small geographically defined populations. This social enterprise was explicitly defined by its village identity, having been formed out of a local community council, and thus primarily offering services to the village residents, though scope for extension to or collaboration with similar schemes in neighbouring villages was also being considered

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[11] CRESC, social-innovation-in-home-care, public interest report

for viability. There was a stark contrast between these services and the narratives detailing experiences of services being provided by LA or independent sector 'for profit' providers: many of the perceived inadequacies of such services could, it was argued, be directly addressed by the locally situated and client-oriented aspirations of the social enterprise models. Their structural qualities enabled a different approach to care provision for local clients that can potentially deliver a much more tailored and personalised service that allows for flexibility in light of the changing needs and desires of those in receipt of the service. For example, one respondent characterised the innovative approach in these terms:

> *"So its tremendous flexibility and I think that's another thing… Here the person's telling you my priority is this, this is what I need doing and have you anyone who can do it? So you're starting from their priorities… And again because its small you can allow for all that, their ability, you're not just trying to make one fit, you know this is the service we have, if you want it you do if you don't you don't. And that's what most services I've seen look like."* (Respondent A1)

And similarly another respondent describing how the proactive approach of the social enterprise would be founded on the principles of a close community of caring individuals who are involved in actively seeking to establish a community network through which they might connect with potentially isolated or vulnerable people who might be in need of specific services:

> *"I mean we are calling it the pro-active approach, the one where we actually go knock on people's doors and say, "Do you need help?" Give them leaflets. [The social enterprise] can do all these things [listed on the leaflet]. Give a ring if you need help… So if [the social enterprise co-ordinator] rings ... or if somebody rings [the social enterprise co-ordinator] and says, "X is happening" or "Did you think to invite Y to the Alzheimer's event?" And [the social enterprise co-ordinator] says, "No, I didn't realise they were having problems." And the person says, "Yes, you might find that they are. Why don't you give them a ring?" [the social enterprise co-ordinator] gives them a ring. You think to yourself, "Well, no harm done." They can always say no."* (Respondent A2)

The issue of expansion of the social enterprise beyond its initial community boundary was one that had caused some concern and confusion regarding the best way of 'scaling up' the initiative such that as many people as possible would come to benefit from its services. Respondents expressed a tension between wanting to offer services to a much wider population, but that this might then lead to the social enterprise suffering from an *overreach* of resources that could potentially threaten the integrity of the business as a local service for local people, with all the attendant benefits that such a model was argued to provide. As this respondent explains:

> *"The locality issue is an interesting one as well because this is a fairly small area… So we are fortunate. The woman that I went to speak to at her request... there is a clump of houses and then there is scattered community around them... I can see there would be more difficulty there, and other communities like [place name] over, out on the peninsula, completely scattered."* (Respondent A2)

The description of scattered communities in the vicinity of the social enterprise echoes some of the discussions had with respondents about the structural problems faced by private sector providers rural and semi-rural areas. But the issues of scaling up here are not the same as they would be for a private sector provider who is basing decisions primarily on calculations of profitability. With regards to this social enterprise, the issue of scaling up was viewed in a slightly different way. Cost recovery was clearly a concern, but the issue revolved around the guiding principles at the core of the social enterprise and their committment to providing tailored and flexible services to *known members of the local community*. Thus, the feared overreach is both a pragmatic and philosophical one, of how far to stretch before the service ceases to conform to the mission statement that is core to the social enterprise identity. The same respondent continues, considering this challenge and posing a hypothetical approach that might enable a more effective means of offering this innovative model to a wider population:

> *"The notion of community is an interesting one and in those cases you might argue [the county] is 'a community.' The County Council administers the community. The County Council could set up a system that focused on the individual small communities under its care. There're 60 odd County Council areas for instance, 150 something community and town councils. And the County Council could relate to each of those individual areas and say, "We'll run that bit. We'll make sure the care gets delivered if you will put in the supporting volunteer teams." … But you could argue that case, couldn't you? It's a community. It's [county name]. The care goes on delivered centrally from [county name]. The support for the care goes in locally because everybody knows each other. You can see that that kind of a scheme might work, or might work to better effect… but County Councils are "don't come to us with any good ideas."* (Respondent A2)

The preferred solution to this issue seems to conform to the 'strawberry patch' approach favoured in countries such as Italy where each successful social enterprise is committed to 'seeding' other social enterprises in neighbouring vicinities, such that each local community is served by a local social enterprise such that a community connection is maintained between client and service provider. The social enterprises in such a system will often collaborate closely, sharing knowledge and resources and helping to broaden the reach of services to locations where alternative services might be inadequate or absent entirely.

6.3 Policy, Implementation and Local Authority Support

There was a strong sense of frustration with the degree of support for social enterprises from national and local government representatives. There was a sense of a disconnect between the stated policy objectives and aspirations of Welsh government and the experience of tangible support on the ground. Recent policy publications detail the aspirations of the Welsh Government on providing service users with a much stronger voice with regards to determining the type of care that they would like to receive, around a shift towards greater localism and community-oriented activities and service provision, co-producing services with users and of integrating services across a wide range of providers including much greater social enterprise 'not-for-profit' sector. For aspiring social enterprises who align themselves very closely to this agenda for change, it is understandable that expectations of support for this agenda could be significant. But the experiences reported here suggest that these expectations had not yet been fulfilled. As this respondent explains:

> *"over the last 3 years or so… the county council has withdrawn a wide variety of services, um, privatised as we've said, you know all of the care but they've also withdrawn a number of other services and are asking the community councillors to… take more responsibility for the delivery of those services… you hear a lot within the local media and national media to a degree about this lovely word, localism, um and I think the politicians are… talking a very good case for localism, i.e. giving people within the communities more responsibility to decide what happens but in reality, that is not the case… Because we still don't, we still can't control how care is delivered, we still can't control what time the street lights are turned off, we still can't control where the rubbish is collected, and that's only the tip of the iceberg but I do realise that there are, there are financial challenges, economic challenges, social challenges and the like."* (Respondent A3)

And similarly, another respondent describes the experience of attempting to engage with and recruit support from representatives at local council and national government level:

> *"But they are expert as you are no doubt aware at turning the phrase and saying we can't say just at this moment, that kind of thing, so the attempt to pin people down both at that level and at county council level… very much results in a war… there is somebody else it has to be referred to before they can come back to you with a definitive answer. And then they don't come back... It is a strange situation and one would be very glad to be able to say so there's your policy statement, what is it you're going to do to enact that?… you don't know what's being done and people are not being employed to fulfil it, it's typical of our county council. But when I hear from Welsh Assembly government that this is an initiative of theirs,*

> *fostering social enterprise so much, that they have asked county councils across*
> *Wales to encourage such ventures and when I ring the county council and say who*
> *is it who's got this brief in [the county] they didn't know and I still haven't found out."*
> (Respondent A2)

The experience of a disconnect between sated policy aims and the perceived lack of any visible mechanism for enacting these aspirations within local county councils has understandably led to an atmosphere of frustration when attempting to identify and connect with sources of support and guidance. Support that might be constructive in developing the initiative and overcoming some of the financial and regulatory hurdles that must be overcome if social enterprises are to be successful in providing care services to local communities. There is also a danger that unfulfilled expectations lead to a loss of goodwill and enthusiasm over time.

6.4 Funding & Sustainability

A principal concern among the respondents of the fledgling social enterprise was whether it would be possible to ensure its long term financial viability. The original plan was to develop in two phases; the volunteer network phase was always intended to work alongside a later phase in which social care would be provided via locally recruited qualified social care workers. But the economic realities of working towards these aspirations had proven to be more difficult than was first anticipated:

> *"Yes well that was the original intention of course; a true caring service. But erm*
> *all the stumbling blocks and checks and things that people need when they're*
> *actually doing hands on healthcare moved us back into this two year project where*
> *not to do that but we're working towards it we hope. And of course the financial bit*
> *is vital, I mean it's got to be self-sustaining, I think this is really important because*
> *it's to try to find a solution to this Gordian knot that caring is expensive, I mean it's*
> *time, it's people with qualifications, it's all sorts and you can't do it on nothing."*
> (Respondent A1)

The above is indicative of the need for sustained and expert business advice for small social enterprises. This is not to say that no support had been forthcoming, as indeed a business model was in the process of being developed with the support of a national social enterprise support organisation, funded by Welsh Government. But at the time of data collection, it was apparent that there was a significant confusion with regards to how the social enterprise might be funded as an ongoing concern, and more crucially where funding might come from in the first instance to enable the social enterprise to be developed as a business that might succeed in becoming self-sustaining. Over the course of the data collection period, there was little sense that these issues were becoming clearer. This issue was clearly of such fundamental

importance that the social enterprise founders were beginning to question the viability of the organisational mission statement as it had been originally conceived: that the social enterprise would move beyond providing very limited volunteer services to becoming a provider of professional social care services to the local community:

> *"If all we had to do was pay hands-on domiciliary carers who were Level 2 or 3 for the work that they did in the houses in which they did it, we might manage to fund it because they wouldn't be getting money from social services. They would be... maybe taking direct payments… And if one person had one carer and that money came in from [the] County Council that would cover that carer for that particular time but it would not cover their insurance costs, their training costs, the equipment costs so we would need funding for that. We are in the process of thinking this through as you can tell but it may well be that the reason why the system works as it does is that the smaller units are unsustainable."* (Respondent A2)

These services, if they are to be provided by trained and qualified professionals, will be costly. This is an important issue if these professionals are to be trained at the expense of the social enterprise (given that one objective of the social enterprise was that staff be recruited locally in order to contribute to the local economy and thus also belong to the community in which they are working). Moreover paying a living wage above the national minimum wage (another stated aspiration of the social enterprise) adds further to costs. This precarious financial situation was made even more complex by additional financial requirements beyond the immediate costing of the day-to-day care services provision. In this specific example the respondent describes an unfolding narrative concerning the regulatory requirements imposed upon any organisation that intends to provide social care services, and the considerable expense that is associated with fulfilling these requirements:

> *"…in terms of a small scheme like this ever achieving sustainable levels, paying for itself so to speak even if we are just "covering costs" I do not currently see how that is possible… once you're into the paid carers thing then you're into CSSIW registration. In order to obtain that you need a level five qualified person. They command twenty five to twenty eight thousand a year, that was a couple of years ago they've probably come on more now, there are very few of them in this county… I think it is unlikely that we would ever have sufficient paid people either through social services or private and quite a few of our people receiving care pay for it themselves, or through the direct payment scheme, it seems unlikely to me that we would ever cover the twenty five, twenty eight thousand pounds that that person would cost."* (Respondent A2)

6.5 Additional Barriers to Entry into Domiciliary Care Provision

Continuing with the example of CSSIW registration mentioned above, while this is pragmatically a financial barrier for this and other prospective social enterprise providers of social care, it is also a regulatory barrier. This is an important regulatory requirement but it assumes that significant sources of initial business investment are readily available. This was described as a barrier that placed the small emerging social enterprise in a 'Catch 22':

> *"It's a catch 22 because you have to have a manager in place, and paid in order to apply. Your manager has to apply ... one section of the form, one completely separate section of the form must be completed by the manager. And you have to pay that person at £28,000 a year or whatever it is, which means that you have ... before you have any idea whether you're going to be able to trade… you have to pay this person, and take them onto your roll and offered them a job with no notion of whether in fact you will get the registration… So we've got to spend the money ... we've got to set out as though we were set up before we are set up."*
> (Respondent A2)

This illustrates the tension between the policy jurisdiction of the regulatory body responsible for overseeing the quality of social care provision and the stated policy aspiration to see more of such services being delivered by third sector organisations. The topic had been discussed at several project meetings during the case study period, and it was repeatedly reported that attempts had been made by the social enterprise to seek possible ways of taking account of their position within the regulatory framework. For example, the possibility of 'sharing' an appropriately qualified manager with either another similar sized third sector organisation or some other willing social care provider in the area.

Another issue raised during the case study that represented an ongoing cause for concern among the team and that had profound implications for the realisation of their social enterprise aspirations concerned the regulations surrounding the possible models of community ownership that were being considered. In this case, the social enterprise was conceived and developed by the efforts of a dedicated core of community members who were already active as members of the community council. The social enterprise was at this time at a formative stage and had not yet formalised many of its operational procedures or decided upon a model of governance[12]. The prominent feeling was that the social enterprise would be the product of the combined efforts of this active community council, and so it was assumed that much of the organisational structure would be in essence 'grafted on' to this pre-existing community

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[12] Since the research was undertaken they have formed a not for profit social initiative set up by the community council and extended with a coordinator and volunteers.

organisational structure, given that the membership of both would largely be the same. Again, the largest source of frustration on this issue was the lack of clarity, the difficulty in finding definitive answers, feeling that their concerns were not being recognised and that guidance on possible compromises or alternative solutions was not readily available. The team had a great many questions but had to work hard to find satisfactory sources for answers to these questions:

> *"We want to contest the fact that community councils cannot trade. [social enterprise co-ordinator] has quoted from the local government at 2000, "the power to trade is not exercisable by a community council". But we have ... first of all we think, is it really trading if we are not-for-profit and we are not gaining any financial advantage? Not paying any shareholders? Not paying out any dividends? Is that trading?...That's another area where, so to speak, we're being told you haven't got the power to trade so you can't operate as a community council in this. You'll have to be something else and we are reluctant not to be a community council leading in this."* (Respondent A2)

The problem with this for the social enterprise team was that it was not only seemingly more complex to do this, but that also it was a question of identity, of ownership, and of branding. Such concerns over the structure and organisation of the social enterprise are not simply pragmatic, but are core to the philosophy of how the community should be an integral part of deciding how the services should be provided, and in terms of feeling a sense of democratic participation in the way that things are managed going forward:

> *"There is very much a feeling that, for want of a better expression, we are running it. It's part of our community and a feeling that if it goes outside our community and becomes something else, something other, that it is not the same thing. We haven't got what we set out wanting… So that it's seen as ... if it's firmly rooted in and around community council, the control of it stays in the community. If it becomes a community interest company with a board of directors, managers and so on, in some sense it's seen as being not any longer central to the community."* (Respondent A2)

6.6 Integrated Care and Evidence of Impact

One of the more positive issues that was raised during the course of the case study was the importance of collecting and compiling sources of data, where possible, to evaluate the work of the social enterprise and demonstrate any impacts associated with the services being provided by now (volunteer services) and in the future (professional social care services). The social enterprise had a clear and well informed ambition to do this wok though again the resource consequences made a full commitment impossible within their existing financial

model. Efforts were being started towards this goal, drawing upon historic data of community wellbeing and satisfaction with social care services that had been conducted by the community council some years prior to the emergence of the social enterprise.

These data were being explored for their potential use as a baseline for the community project, with the prospect of potentially supplementing this with more specific methodologies in the near future. The documenting of their activities in the community, especially with regards to the volunteer work with residents, was central to this objective of collecting relevant data that might be used in subsequent evaluations of the effectiveness of the scheme. But the integration of this service provision in terms of preventative benefits to the wider system of health and social care was considered to be a more challenging prospect:

> *"Well from where I sit at the moment its literally just to record all the cases that we have, all the timings that we take, because again it's one of those things that you can't really judge the success because if we manage to prevent a lot of people from having to ring the ambulance or going to hospital… because I wonder at times if it's because they haven't got any network at home… The ones we prevent are the ones which are much more difficult to quantify so it won't be a matter of having chapter and verse... I mean with my friend I should think three or four times she could've been prevented from ringing up an ambulance if somebody had done the thing that needed to be done or was on-call, you know, within a reasonable time. So you know some of it is difficult, very difficult to quantify." (Respondent A1)*

Within several discussions on this topic it was evident that much more work was still to be done on the scope and viability of any *evaluative* work that might be conducted in order to demonstrate the value of the social enterprise to a broader system of provision. The social enterprise team had a very good sense of the kinds of data that needed to be collected and linked in order for any evaluation to have reliability and validity, and the potential difficulties and costs that might be associated with such an evaluation. There was a clear tension in that the team were acutely aware of the need for this kind of work, for the purposes of validating the benefits of their approach and as a means to leverage further much needed funding to support development of the social enterprise, but the level of resources required to conduct such an evaluation might well prove prohibitive; placing a small community service at a further disadvantage.

> *"I was going to say if we're not looking at that, I mean if we're not looking at it in terms of how many fewer admissions to hospital have there been, how many more rapid transitions back from hospital have there been. If we're not looking at those sheer numbers which we hope to have… if we're looking at it in terms of… do people feel more cared for, are people more satisfied with the service, those are*

relatively easy to assess… if things are not going well we will know because we will be told, and… the system allows for the setting up of the reporting back. But it is also I think absolutely certain that people won't wait for the form to fill in they will tell us if things are not going well… in terms of actual measuring on a scale it is very difficult to do because it's satisfaction and pleasure and wanting to be there. You could in fact say maybe a measure of success would be whether or not [village x] wants to start such a scheme… or in [village y] start saying why haven't we got one?" (Respondent A2)

7. Discussion

This report has outlined some of the key findings relating to the implementation of Section 16 of the Social Services and Well-Being (Wales) Act 2014, and of the important relationship between local authorities and social enterprises in the context of this new legislation. Whilst not exhaustive, themes from the data illustrate some of the principal barriers and facilitators to attempt to support and develop the role of the third sector in delivering high quality social care services to local people.

The legislation places clear responsibilities on Local Authorities to work towards supporting and promoting the development of social enterprises, co-operatives and other third sector organisations to provide care and preventative services, and also to support and promote services that involve service users in the design and running of services. Whilst it is clear that some LAs have already demonstrated a historic commitment to these goals and have helped to foster social enterprise activity in this area, it is important to note that there are other LAs who have not actively pursued this as an objective, and who will have further to go to meet these new responsibilities. Barriers to such improvement here include a general and widespread confusion over exactly what social enterprises are, what they do, and what distinguishes them from other third sector organisations, such as charities. This confusion was not aided by the fact that various definitions can be found which contain variation in emphasis, or contain conflicting information. In addition, it has been suggested that the common use of phrases such as "not-for-profit" are compounding confusion by suggesting that such businesses should not be seeking to be profitable, rather than suggesting (correctly) that profits are returned to the businesses to sustain growth or to achieve social objectives. Such instances of confusion were directly evidenced or alluded to in the data. This suggests that an important first point of clarification to assist LAs in meeting their new obligations would be for the Welsh government or associated body to develop a series of working definitions that can be referred to in order to avoid such confusion and focus efforts towards supporting the right kinds of business.

That the Welsh Government could usefully play a role in providing practical guidance of this kind was also directly evident in the data, though it was not uniformly agreed that they should be providing extensive guidance on the manner in which LAs should meet the new obligations outlined in Section 16. Some LAs were expectant of further guidance and were seemingly waiting to be told how to proceed. Others were building on ongoing work that had been underway for some time already, and were proactively shaping mixed economies of social care provision through various means, without waiting or wishing to be told what to do by Welsh Government. This is suggestive of a dilemma that brings to the fore the whole relationship of central and local government in the shaping and implementation of policy and legislation. It is assumed that Welsh government felt it appropriate to provide this legislation without comprehensive implementation guidance in order that it would not risk being perceived as overly prescriptive, and that it should allow for variation in the way that each LA chooses to undertake these obligations, based upon the specificities of their current circumstances. Again, it can be argued that greater clarity from Welsh Government in terms of managing expectations and clearly defining what guidelines, if any, could be expected to follow from Welsh government might have prevented some LAs from waiting for further instruction that might not be forthcoming.

What this discrepancy between LAs in terms of their 'Section 16 readiness' demonstrates however, is that there is certainly considerable scope to share knowledge and best practice from those LAs where there is already significant activity and expertise in this area. Each of the 22 LAs was directed to appoint someone to a social enterprise support officer role, even though in practice this might be an existing employee who will continue working in parallel under another remit within the LA, such as community regeneration, for example. It would be useful to organise a series of knowledge transfer events with other important stakeholders from social services departments, for example, in order that experiences could be shared such that it would enable those LAs with less experience of engaging with social enterprises to build some momentum more quickly than they otherwise might.

Such events might also ameliorate some of the other issues identified in the data. For example, the tendency for those whose remit is to support social enterprises in the field of social care provision to find that colleagues from other sections of the LA are not always working from within the same frame of reference, and thus there are often conflicts of interest that are difficult to resolve. For instance, the long-term viewpoint of someone trying to develop social enterprises to the point at which they are viable businesses and is therefore seeking further resources with which to achieve this does not accord with the necessarily shorter-term viewpoint of someone who must find further ways in which to balance budgets. Such events

might offer opportunities to reduce or remove some of these barriers caused by 'silo' working and help to align the compartmentalised interests and policy direction of the LA as a whole.

Other tensions were identified in the data that act as barriers to the development of social enterprises. One of the principal tensions was the need for further and continued investment in the context of increasing financial pressures on Local Authorities and the reduction of available grant money. The need to 'pump prime' these businesses in a context where loans are more difficult to secure than they are for private sector businesses means that the sustainability of social enterprises much less likely where grants and other resources to support these businesses through their first year or two are unavailable. Some respondents were clear in outlining what a significant factor this was for the sustainability of social enterprises in this sector, and that social enterprises will likely be at a disadvantage against private sector businesses without such support. While there is no easy solution to this issue, it may be necessary to experiment with financing to help to ensure that social enterprises can organise themselves quickly and effectively to the point at which they become sustainable through revenue generation. Ethical and social financing arrangements could also play a part here, and it might be possible to assist social enterprises to access appropriate sources of such finance and ensure that it is used most effectively in the earliest phases of business development.

The issue of 'spinning out' services was a common trope in the data. Here too there were tensions and inconsistencies between the different motivations identified from within LAs, and also different political sensitivities to such externalisation of services. Several LA stakeholders explained that such spinning out of discretionary services was principally motivated by a need to cut costs, but that it was much more politically desirable to spin these out to a social enterprise than to a private business. Most were keen to emphasise that these efficiencies to LA budgets were matched by associated social value derived from the nature of social enterprises that aligned with other policy objectives within the LA and nationally. What was less commonly discussed in the data was the likely success and/or sustainability of the services that were externalised. It is unclear whether all such 'spin-out' businesses would always benefit from ongoing relationships with the LA, such that the services would be maintained in perpetuity, albeit with arms-length involvement. A few stakeholders did however mention that such moves to externalise services and thus make efficiencies did fit with overall strategic service delivery models that they were in the process of implementing. These might appear to be tangential to the support of social enterprises, but they found that interests and objectives were strongly aligned. So, for example, the desire to engage communities in determining the nature of services and having a stake in those services. In the same vein, the

aim of pushing towards the promotion of certain ethical and philosophical standards in relation to social care provision, where the explicitly stated social aims and objectives of social enterprises are in accord with where the LA sees itself moving towards.

One of the most commonly identified points of tension for LAs and social enterprises was in the area of tendering and procurement. It is here where the dislocation between the provision of quality and the issue of the cost of services was most starkly highlighted. At core there is a recognition that quality has cost implications, and that whilst LAs would ideally like to see more contracts for services being awarded to social enterprises, the reality is that private providers often enjoy the advantage of being able to undercut on price. Whilst there is a mechanism for assigning weighting in the tendering process for quality and social value, larger private businesses often have dedicated resource for ensuring that they will score highly in this area, even where the actual and expected social value provided to local communities and the local economy might not be qualitatively or quantitatively equal to the social value generated by social enterprises over time (given that profits are generally reinvested rather than leaving the local area). Added to this was the more technical and pragmatic consideration that relative size was unfavourable to social enterprises when compared to the scale of many private businesses that tender for LA contracts who might be national or even international in scope. The desire of LAs to manage multiple small contracts from small local social enterprise providers is low due to the additional resource constraints that this would require. It was also suggested in the data, anecdotally, that this is also due to a general lack of understanding about the nature of social enterprises and associated misapprehensions that such business models are more liable to failure. Whilst it may not be possible to develop social enterprises up to equivalent large scale capacity (though some are clearly capable of growing to offer services far beyond their original geographic area), it might be possible to explore alternative possibilities, such as encouraging different social enterprises to collaborate where appropriate and bid for tenders as a conglomerate entity. Such innovative and experimental options might be the only means of encouraging social enterprises to successfully compete with private contractors to win significant contracts with LAs for the provision of care services.

The findings from the qualitative interviews echo many of the issues identified in the literature and confirm that there are significant barriers to the establishment of social enterprises. The evidence base for the impact of the assumed beneficial distinctiveness of social enterprises is still weak and it is difficult to make generalisations about their specific qualities as a sector. But the emphasis that social enterprises place on reinvesting profits into the community and for achieving particular social objectives makes them particularly attractive at a time of financial austerity. Given a political recognition of the value of social enterprises for the provision of social care services, the question quickly focuses on the pragmatic issues that

will either hamper or encourage the successful development of social enterprise organisations in this field. Issues that could also affect their ability to provide sustainable services that cater to the needs of local people in innovative and cost-effective ways.

The findings form the exploratory case study provided rich qualitative data on some of the issues being faced by emerging and nascent social enterprises in the field of adult social care services. This analysis suggests strong commonalities with the findings from the qualitative interview data with key stakeholders. There were significant barriers to the goals shared both by social enterprises, Local Authorities and Welsh Government for social care provision and specifically attempts to encourage greater third sector and direct community involvement in the design and implementation of local services. The case study revealed common narratives of the perceived inadequacies of current health and social care services. Respondents described failures of care and these were linked by them to austerity and cuts. They emphasised these failures were not due to a lack of care by individual care workers or their lack of professional expertise, but by systemic constraints that place limitations on their ability to provide care in ways that would be of most benefit to the recipients of that care. Typical examples of this might be the way in which domiciliary care is managed by independent sector organisations such that allotted blocks of care are not of sufficient duration to fully meet the needs of the recipient. This resonates with similar concerns raise by other studies of the domiciliary care sector (Burns, 2016). These relate to the financial models that dominate the sector where financialization and point pricing undermine welfare goals. Contrasts were drawn between the crisis in the sector and the central philosophical motivation for the social enterprise in this case study. This was summarised as care being appropriate to the needs of the individual, and that the most effective way of delivering such care is to provide it locally, and within a community network of known and trusted individuals who can engage care recipients within a supportive structure of community members, volunteers and professional care workers. Here the emphasis and aspirations were on the prevention of health problems and enabling people to remain as active members of the community are the principal ambitions, rather than of creating profits (though the reinvestment revenues into the social enterprise would of course be welcomed, if it were ever possible to create them).

The problem of scaling up also appears to present different issues for community based social enterprises. While the prospect of expanding a business includes issues of economies of scale, managing growth and risk and opportunities for increased profit margins, for the social enterprise the problem was framed in different terms. Here the emphasis was on moving beyond the local community, ensuring inclusivity, of reaching people who were interested and had need of the services being offered but who were outside of the originally delineated area,

and the issue of maintaining a minimum level of service quality and equity of service delivery. The issue therefore became one of tension between not wishing to deny the service to people who might live just beyond community boundaries and, at the same time, not wishing to overreach or extend beyond a natural limit largely imposed by scarce resources. Such tensions raise important questions about how government policy can maintain equity of access across the population while encouraging small community based services and balancing local needs with national priorities. They also raise questions about the crisis in the sector and how this may be constraining the choices available to Local Authority Commissioners.

Relevant too here was the issue of identity, and of 'belonging' to the community, and how does one define the bounds of this community. A complex issue in the context of a village location as a focus for rural environs in which people are geographically dispersed over relatively large distances. One approach suggested to balance equity and community interests by the nascent social enterprise was to seek ways of encouraging similar schemes in neighbouring villages. In this way, it was argued, the problem of being equitable in the provision of services whilst also maintaining a distinctly local network of provision might be addressed, in that these distinct networks could potentially co-operate to ensure as wide a coverage of provision as possible. The predominant view among case study respondents was that there had been interest voiced from neighbouring areas, and members of other communities expressing a desire to see similar services offered there, but that until the social enterprise had proven itself to be a viable and sustainable model of service provision, such 'strawberry patch' aspirations are likely to remain just that.

Arguably the single most significant source of frustration for the social enterprise was the perceived disconnect between the state policy aims of Welsh Government, as outlined particularly in Section 16 of the Social Services and Well-Being (Wales) Act 2014, and the perception of a lack of action 'on the ground' specifically from local and national statutory bodies[13]. It is unsurprising that a start-up social enterprise would have almost no prior business experience, nor any experience of navigating a range of different third sector business model options and understanding the implications each of these has for how the business will operate and what is permitted or mandated. Traditional start-up businesses have avenues of support, that may have associated costs, but will have been factored into initial investment calculations. Where aspiring social enterprises have little or no start-up capital to hand, such options are

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[13] It should be noted that this was at an early stage of the social enterprise and the Act and in a rapidly changing social care environment.

perhaps more difficult but advice and support is available from a number of different sources[14]. Several avenues had been pursued by the social enterprise in this case study. Whilst this support was appreciated, it was not perceived to be perfect, and there were a number of perceived shortcomings, especially with regard to the clarity and consistency of communication. This included advice on determining the most appropriate model for the social enterprise, but also in terms of how best to proceed in the context of very limited funds available to progress the project. It was felt that comprehensive and sustained support was not available from a single source where all the answers could be worked through with the social enterprise. Whilst this was not necessarily the expectation of those working for the social enterprise, it was discouraging for them to experience support being provided in a piecemeal fashion and sometimes only when repeated requests for support had been submitted by the social enterprise. It was stated that the enterprise had found it particularly challenging to engage the local county council in providing advice and other assistance. Moreover, it appeared to be the case that nobody on the council was taking responsibility for enacting the provisions of Section 16, and whilst there was a lot of goodwill for the social enterprise, (at the time of fieldwork) concrete assistance was as yet not secured.

Whilst such lack of clarity, joined up thinking and other informational support issues were frustrations for the social enterprise and arguably were the cause of delays and unnecessary confusions, they were not inherently fundamental barriers to the development of the social enterprise. The most significant barrier in practical terms was the lack of sources of financial support that would serve to 'pump prime' the social enterprise and enable it to move towards a situation where it might feasibly become self-sufficient. But the financial barriers to becoming successfully established as a social enterprise provider of social care services together with the lack of clarity of information from the relevant statutory bodies regarding what is permissible and possible are interrelated. Delays caused by communication difficulties have cost implications in a context where resources vital for moving the project onwards are incredibly scarce. The frustrations felt by members of the project team were easily understood in this context, where it is evident that clear and direct signposting from knowledgeable sources might have saved time, energy and other scarce resources.

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[14] A number of organisations do offer advice and support – for example Social Business Wales (https://businesswales.gov.wales/socialbusinesswales/); Social enterprise UK (http://www.socialenterprise.org.uk/); The Development Trust Association (http://www.dtawales.org.uk/about-dta-wales/) and the Wales Coop Centre (http://wales.coop/)

Findings from the case study are consistent with the data from some of the stakeholders interviewed where funding gaps were identified as one of the most significant barriers to nascent social enterprises. Loans and grants that had previously been available for the purposes of supporting social enterprises were described as being much more difficult to access than they had previously been, or had disappeared altogether. In the context of the policy direction being advanced in Wales, this lack of critical sources of funding seems incongruous, and a potentially very difficult barrier to overcome for social enterprises that aspire to provide adult social care services to local communities. The registration and regulatory requirements mentioned above are also a barrier, but the way in which the situation was described perhaps demonstrates the need for more joined up thinking from bodies who have a role to play in advising prospective social care providers in the third sector. Clear guidance on the regulatory and governance requirements for operating in the sector at the earliest planning stages may help avoid any unnecessary waste of energy and other resources.

8. Conclusion

The new legal framework in Wales offers an important opportunity to foster a vibrant social enterprise sector in the field of adult social care that could potentially contribute in meaningful ways to the delivery of high quality user-oriented services that also entail a variety of social and local economic benefits. However, evidence to support the claims made in support of social enterprise provision remains patchy and there is need for robust evaluations and support for growing the evidence base. Given the limited number of interviews, the specificity of the case study (as a nascent social enterprise) and the cross-sectional and therefore time limited nature of the research it is not possible to draw general conclusions about the development of social enterprises in the field of social care in Wales. Nevertheless, there are some preliminary findings that draw together the different strands of work undertaken.

We identified some confusion about what exactly social enterprises are, and therefore what the benefits of supporting them are should or potentially can be. This confusion exists not only within organisations who have a role to play in supporting or otherwise working with social enterprises, such as Local Authorities, but also at the level of prospective social enterprises themselves. The proliferation of different models of social enterprise and the conflation of different terminologies adds to this confusion and prevents clarity of purpose from those who wish to develop as a social enterprise. It also creates unnecessary confusion in dealings with other key stakeholders who might have incomplete or inaccurate conceptions of what social enterprise is, and how it potentially fits with their own professional agenda. Although there are

organisations who are active in supporting social enterprises in Wales the interviews suggest that more could be done to provide information to nascent enterprises and local authorities.

As the review of literature indicates there is some evidence from Italy that in times of austerity and funding cuts cooperative forms may not necessarily be the panacea that is hoped for and can in certain circumstances lead to downward pressure on pay and working conditions and fragmented service provision. At the same time, it is important to note that there are barriers to development of new social enterprises in this field. It is noteworthy that findings from the review of the literature, the in-depth interviews with social enterprise stakeholders and the case study of an emerging social enterprise reveal some common themes. Taken as a whole, these sources of evidence converge on factors that have pragmatic implications for future growth of this sector.

This report has highlighted some of these practical considerations and, taken together, they suggest the sector can respond to local needs, often in innovative ways, but risks to their success and sustainability must be addressed if they are to thrive and grow into an important part of social care provision. key issues identified are: the need for continued professional business support and guidance in areas such as governance structures by those with significant experience of working to develop such businesses; the need for accessible mixed sources of financing, especially for the purposes of 'pump-priming for the first few years when social enterprises are developing; a clarity of purpose within legislation so that all Local Authorities are aware of how best to begin implementing changes, potentially informed by 'best practice' guidelines developed by the Local Authorities most actively engaged with the third sector; a 'joined-up thinking' approach to engagement with the third sector, especially with regards to issues of 'spinning out' and commissioning and tendering, so that tensions between issues such as cost cutting and achieving best value for local service users are reduced as far as is possible; and the development of an 'intelligent commissioning' system that gives greater importance to the generation of social value defined in its broadest sense.

Such developments would perhaps be most effective as part of a wider cultural change within Local Authorities that extends far beyond their duty to implement Section 16. The Local Authorities who had recently undergone a change in practice towards a more integrated service delivery model, or who had greater experience in engaging with local communities in order to transition certain services to community ownership demonstrated a much keener awareness of the value of social enterprises to their wider social obligations and aspirations. This came across strongly in terms of aspirations to deliver integrated health and social care services that engaged with local communities and valued their potential input into innovative

ways of providing and organising these services. However, investing in innovations, experimenting and taking risks is easier said than done, especially in an environment of long term austerity and budget cuts.

To some extent, the findings of this report echo many of the recommendations made by Conaty (Conaty, 2014) and by (Millar et al., 2016). However, a note of caution is added. Further work is necessary to see how such recommendations can be adapted and applied in the current context. Furthermore, without a clear evidence base and a solution to the basic funding question of social care then it is unwise to view social enterprises as a policy panacea. Policy aspirations will remain just that without the resources to support service developments. Further work is also required into identifying material support for the development of social enterprises in the field of social care that can be delivered alongside a wider transformation in ways of thinking and procuring that takes greater account of the ways in which social enterprises can contribute to local communities and create social value.

Research
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