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**Working Paper**

## Public policy and devolved governance: Facilitating the social and solidarity economy in the Liverpool City Region

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# UNRISD

United Nations Research Institute for Social Development

Working Paper 2020-13

## **Public Policy and Devolved Governance**

*Facilitating the Social and Solidarity Economy  
in the Liverpool City Region*

*Helen Heap, Alan Southern and Matt Thompson  
University of Liverpool*

prepared for the UNRISD project on  
Promoting SSE through Public Policies:  
Guidelines for Local Governments

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## Acronyms

<b>BenCom</b>	<b>Community Benefit Society</b>
<b>CA</b>	Combined Authority
<b>CBED</b>	Community Based Economic Development
<b>CDA</b>	Cooperative Development Agency
<b>CIC</b>	Community Interest Company
<b>CIO</b>	Charitable Incorporated Organization
<b>CLT</b>	Community Land Trust
<b>CVS</b>	Council for Voluntary Services
<b>EU</b>	European Union
<b>GBP</b>	Great British Pounds
<b>ICOM</b>	Industrial Common Ownership Movement
<b>IPS</b>	Industrial and Provident Society
<b>LCR</b>	Liverpool City Region
<b>LEP</b>	Local Enterprise Partnership
<b>PSS</b>	Personal Services Society
<b>SDS</b>	Spatial Development Strategy
<b>SEN</b>	Social Enterprise Network
<b>SIB</b>	Social Impact Bond
<b>SIFI</b>	Social Investment Financial Intermediaries
<b>SITR</b>	Social Investment Tax Relief
<b>SSE</b>	Social and Solidarity Economy
<b>UK</b>	United Kingdom
<b>VS6</b>	Voluntary Sector 6 (leadership group)
<b>VSNW</b>	Voluntary Sector North West

## Summary

National policy support in the United Kingdom for the social and solidarity economy is complex, often caught between central and local interventions, both direct and indirect. Recent legislation has sought to change what all businesses can do, to update what was seen as anachronistic company law and to encourage – through reduced administration – a more enterprising mindset. Directly, the SSE has experienced legislative changes to the forms and types of organisation the government wished to encourage. This has stimulated a very particular idea of the social economy underpinned by an overriding ideology of less business regulation and a more entrepreneurial SSE sector.

Support for the SSE has, in recent years, taken place against a backdrop of austerity and public sector expenditure cuts. There were two further pieces of legislation worth noting for their impact on the local SSE during this period. The Public Services (Social Value) Act 2012 required public service providers to consider economic, social and environmental value in their procurement decisions. This provided opportunities for local governments to support the SSE. Locally, one district authority took the lead in this regard. Knowsley Metropolitan Borough Council produced a Social Value Framework to embed social value accounting in their procurement arrangements, and was regarded as a local leader in this field.

A second policy from national government has the potential for more profound impact on the SSE. The Cities and Local Government Devolution Act 2016 established 10 city-region Combined Authorities in England, with eight having a directly elected “Metro Mayor”. Liverpool City Region was established with a Combined Authority and Metro Mayor, both of which have taken a lead on facilitating the local SSE. The Liverpool City Region Combined Authority, for example, is seeking to incorporate social value in all policy, aiming to have a direct positive impact for the SSE especially in terms of accessing public markets and protecting community land and buildings.

The potential from devolution for the SSE cannot be overstated in the city region. As the Combined Authority released its local industrial strategy, the SSE was recognized as an important part of the wider city region’s attempt to build a more inclusive economy. The Metro Mayor recognizes the SSE as a partner needed to achieve city-region objectives, and the Combined Authority has worked with practitioners to provide new means to collaborate. New governance arrangements have produced, for the first time, a political voice for the sector through the Liverpool City Region SSE Reference Panel. New collaboration has led to an important finance initiative to deliver better forms of social investment into the sector.

Overall, however, the UK remains a highly centralized state and this limits what can be achieved by the local SSE. In Liverpool City Region the SSE is shaped by its own political history, with both radical and reformist behaviours. SSE actors have been quick to seek collaboration with local authorities, sometimes to their own detriment as funding has been reduced. Many have sought to reiterate their independence even as they co-partner with local agencies. Some sections have shown their own entrepreneurial spirit, shaping local community responses to austerity, and have been quick to respond to the Covid-19 public health crisis. Much remains to be done to face the needs that exist in the city region, though – both the needs of communities, and the help required to ensure the development and successful growth of the SSE.



*“I already knew and liked the German word solidarität before I came to Liverpool and now, I have learned that the English word is solidarity because I have heard it used by our supporters during the last few months. For me, it is the word more than any other that captures what Liverpool people are about. It is why they have come together to make PPE [personal protective equipment, for Covid-19], it is why they have delivered food parcels and medicines to people when they have needed it most, and it is why they come together in so many different ways during such a difficult time.”*

Liverpool FC manager Jurgen Klopp, on social solidarity in the city region

## **Introduction**

The history and structure of the Social and Solidarity Economy (SSE) in the Liverpool City Region, in northwest England, broadly reflects that of the United Kingdom (UK) as a whole. It can be understood as fundamentally comprised of three distinct traditions: the voluntary and community sector; the cooperative movement; and the social enterprise sector.

The voluntary and community sector has grown out of philanthropic, mutualistic and community self-help practices predating industrial capitalism. Today, it contains a diverse spectrum of entities from informally-organized small community groups running on voluntary labour to national charitable associations with substantial turnovers and paid staff. Cooperatives arose in the nineteenth century as a solidaristic alternative to private for-profit enterprises. The co-op movement can be traced back to the Rochdale Pioneers, an early consumer co-operative located in Lancashire, the historic county of Liverpool. The Rochdale Principles set out the values that continue to underpin the global modern cooperative movement.<sup>1</sup> Social enterprises are a much more recent development, arising in the 1990s and associated with government attempts to bring renewed business dynamism to the SSE and harness it for public policy objectives particularly around tackling social exclusion.

Liverpool has an especially rich history of SSE development, often at the forefront of shaping these national traditions, with a particularly vibrant local movement today. Throughout this history, public policies at various scales of government have both helped and hindered the city region’s SSE. The direction of influence has often been the other way. Liverpool’s SSE has been an important source of inspiration for the development of public policies related to health, sanitation, education and housing, both locally and nationally, through the nineteenth and twentieth centuries. This report briefly explores some of these exchanges between Liverpool’s SSE and public policy innovation (in section 2) but it is primarily focused on how public policies can support the city region’s SSE in the contemporary period.

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<sup>1</sup> The Rochdale Principles formed the basis of the International Co-operative Alliance (ICA) in 1895, providing contemporary stewardship on co-operative behaviour and identity. More on the Principles and ICA can be found here: <https://www.ica.coop/en/cooperatives/cooperative-identity>



The UK is an extraordinarily centralized polity with political power overwhelmingly concentrated in London, the seat of national government. Compared to their counterparts across much of Europe and North America, this leaves local authorities and city-regional governance bodies with very little power to effect change in local economies or, indeed, provide tailored support for the SSE. Such support has thus tended to come from the centre. However, as we explore in section 1, this usually comes with strings attached, with SSE support instrumentalized for other policy agendas, especially in recent decades with social enterprise.

Since 2011, however, the UK government has embarked on a process of English city-regional devolution, in which various powers from local economic development to transport strategy are devolved to newly created political structures at the metropolitan scale. In Liverpool, this has opened up significant opportunities for renewed public policy support of the SSE at the city-regional level. In the remainder of this introductory section, we provide a background introduction to the Liverpool City Region before, in the main body of the report, exploring the national legislative and policy context, the structure of the city region's SSE and, finally, the public policies that have been developed locally to support the SSE.

The Liverpool City Region (LCR) is a relatively recent administrative designation covering an area more commonly and historically associated with Merseyside, reflecting the geographical and socioeconomic importance of the River Mersey. The five constituent local authorities of Merseyside – Liverpool, at its core, Sefton to the north, Knowsley and St Helens to the east, and the Wirral on the Mersey's opposite banks – were joined by Halton in 2014 to constitute the Liverpool City Region Combined Authority (CA) – see Figure 1.

The core city of Liverpool has historically dominated the political and economic life of the city region, based largely on maritime trade. Liverpool is the only local authority in LCR with city status, gained in 1880. The city's importance as a seaport predates the Industrial Revolution; expanding in the eighteenth and nineteenth centuries as a nerve-centre of the Atlantic slave trade and preeminent port of the British Empire, drawing many migrants to the city. As a result, Liverpool became ethnically and culturally very diverse, and one of the wealthiest cities on the planet for many decades.

During this period, wealth was extremely unevenly distributed, with inequalities and deprivation marking dockside communities leading to severe health and sanitation problems. Local philanthropists, entrepreneurs and government officials have been very active over Liverpool's history in bringing forth solutions to these problems. Consequently, Liverpool has been a world leader in the development of a number of new technologies and social innovations, from sanitation and transport infrastructure to municipal parks, housing and educational institutions. Many of these innovations were pioneered within what we would now call the Social and Solidarity Economy (SSE), often facilitated by municipal authorities.

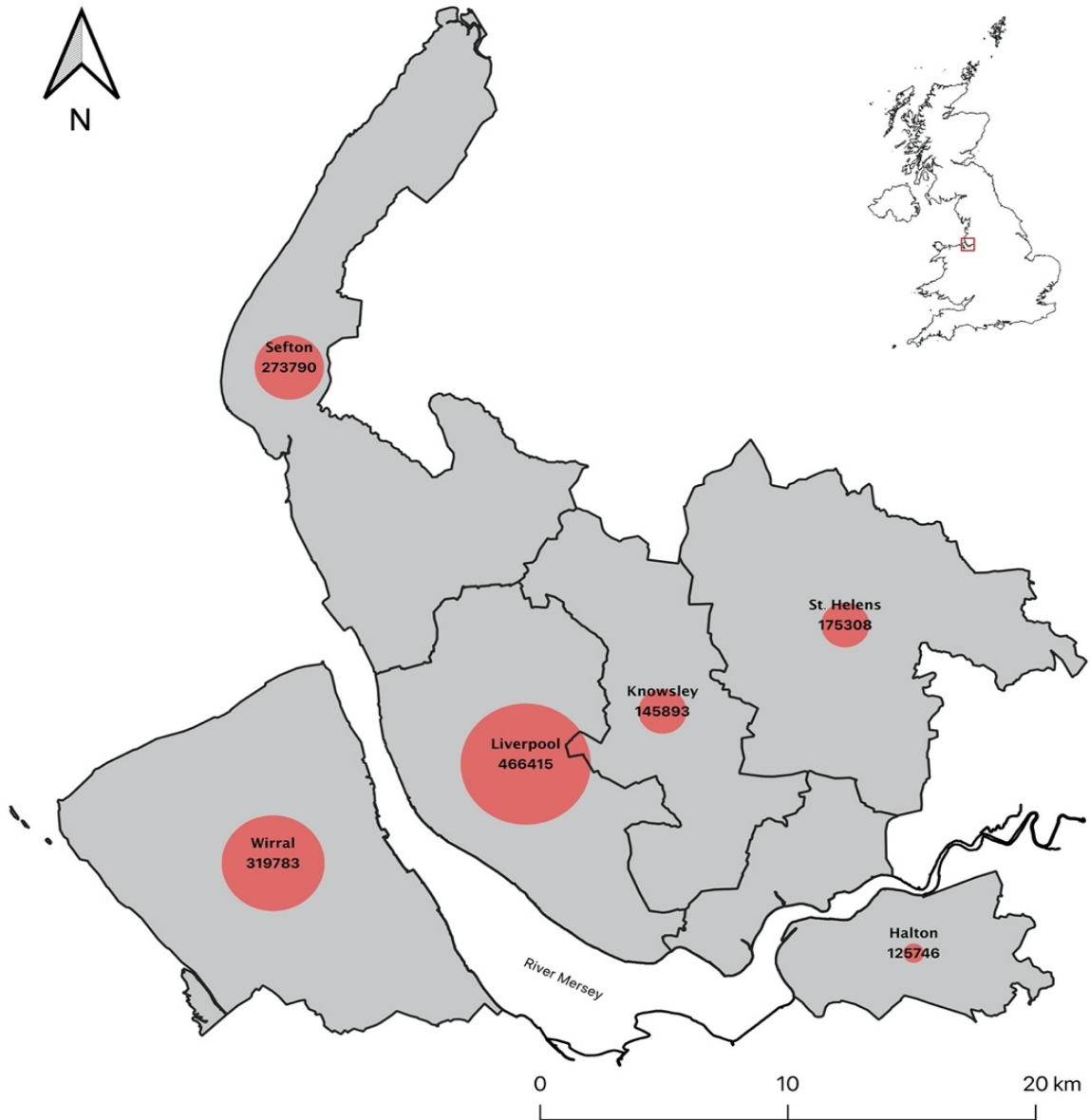
In the twentieth century, Liverpool and other port settlements such as Birkenhead on the Wirral suffered significant bomb damage in World War Two. Post-war reconstruction efforts were grasped as an opportunity for modernist urban planners to clear the inner-city 'slums'. Hundreds of thousands of residents were rehoused from the inner city to new towns and estates built on the metropolitan periphery. These developments massively expanded

the populations of new towns such as Skelmersdale, Runcorn and Kirkby and in turn that of districts such as Knowsley and Halton, creating the more decentralized and distributed city region that exists today.

In the 1970s and 1980s, the Liverpool City Region was brutally hit economically, as maritime trade shifted away from the Atlantic towards the European Union (EU), leaving the city disadvantageously located. In addition, containerization and automation wiped out much of its employment base in maritime, logistics and manufacturing industries. Mass unemployment and spatially concentrated poverty has afflicted the city region since.

As a result of global economic restructuring and post-war urban renewal policies, Liverpool itself lost approximately half of its population in half a century, from a peak of around 800,000 people in 1950 to 400,000 people in 2000, at which point it began to partly recover through urban regeneration initiatives. Over this period, the population of the wider metropolitan city region fell from around 1.8 million to 1.3 million. Much of the SSE in the city region today is concerned with resolving socioeconomic problems resulting from population loss and economic decline, particularly in housing and labour markets.

**Figure 1: Liverpool City Region: Population and the Six District Authorities**  
(map produced by authors)



## 1. National Policy and Support for the SSE

In this section we provide an overview of recent legislation and policy pertinent to the SSE. The UK has a highly centralized national government geared towards neoliberal economic interests, with limited legislation directly supporting the SSE. However, some regulation indirectly facilitates the SSE including policy for the governance of local economies and communities. In this section, we identify the types of legislation and policy that enable the SSE, before outlining the role of government and devolved city region governance in providing more direct support for the LCR SSE.

We should make clear there is no legal definition of the SSE in the UK. Quite often organizations will self-identify as ‘social enterprise’ – a term that likewise lacks legal definition in the UK. Nonetheless, the most commonly cited and utilised classification is the definition set out by the UK Government Department for Business Innovation and Skills:

A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (BIS, 2011).

However, this does not constitute a *legal* definition. Incorporated legal forms operating in the UK SSE include registered charities, companies limited by guarantee, mutual societies and co-operatives. Recent government legislation on legal form and taxation provide an indication of the legislative complexity in the UK, as summarized below.

### 1.1. Legislation

The Companies Act 2006 introduced a new company category, the Community Interest Company (CIC), aimed at giving legal definition to social enterprise. The 2006 Act sought to encourage social entrepreneurs wanting to establish a non-charitable social enterprise to trade in markets and produce surpluses for community benefit. One of the most important aspects of a CIC is its compulsory statutory ‘asset lock’. This means that any assets held by the organization cannot be transferred to external parties and that, following investment, any dividend or interest payment is capped. CICs are required to demonstrate community benefit and offer a legal framework to the social entrepreneur that is free of the constraints and regulations imposed on charities and their trustees.

More recently, the Co-operative and Community Benefit Societies Act 2014 reformed the cooperative form of organization found in the SSE. Prior to 2014, all co-operatives were registered under the Industrial and Provident Societies Act 1965 and known as Industrial and Provident Societies (IPS). In contrast to private for-profit enterprises, the 1965 Act created a legal form designed to hold co-operatives accountable to their members. The 2014 Act replaced the IPS legal form with ‘Registered Societies’, comprised of two legal forms: Co-operative Societies and Community Benefit Societies (known as ‘BenComs’).

The main distinctions are as follows. Co-operative Societies act primarily to aid and benefit their members, those who participate directly in the main business of the society. Membership originates in the common interest amongst all co-operative members in their collective control over the organization. Membership is mutual in that all members have an

equal say over the society's business regardless of equity investments. In contrast, BenComs are formed to benefit the wider community as well as members of the co-operative. On dissolution, BenCom assets must be transferred to a similar organization with similar aims in producing community (over member) benefit. BenComs are the only legal form in the SSE able to issue 'community shares' to help finance the organization (see section 1.4).

A further piece of recent legislation aimed directly at the SSE concerns changes to charity law. In the UK, incorporated charities usually fall under the following legal structure: a charitable company (i.e. limited by guarantee), a charitable trust and, more recently, a charitable incorporated organization (CIO). The CIO was introduced in England and Wales in 2013 after originally being introduced in the Charities Act 2006. Benefits of being incorporated as a CIO include trustees having limited or no liability for the debts of the organization, and through reduced administrative costs.

While other charitable forms are registered and regulated by both Companies House and the Charity Commission in England and Wales (and their equivalent in Scotland and Northern Ireland), a CIO requires registration only through the Charity Commission. In January 2018, new rules came into force allowing charitable companies to convert to CIOs and access these benefits.<sup>2</sup> However, most charities in the UK are not registered as a CIO. Charities registered more recently are choosing this legal form, likely to become more commonplace in the UK SSE landscape.

The 2014 Finance Bill introduced the SSE to Social Investment Tax Relief (SITR), currently scheduled to run until April 2021. SITR aimed to support the SSE by enabling greater levels of external finance to flow into social enterprises. SITR qualifies individual investors in social enterprises for 30% tax relief up to GBP 1 million per annum. For the organization to qualify for the investment it has to trade – either as a charity, CIC or certain type of BenCom. Such organizations qualify if they can show a statutorily defined asset lock, but must employ under 250 people and have less than GBP 15 million in gross assets.

In sum, the UK's legal and policy framework impacting the SSE remains complicated and is affected by wider company law and macroeconomic arrangements. The UK exhibits a longstanding trend of aligning existing SSE legal forms, such as co-operatives, with a set of neoliberal principles most observable in Anglo-American contexts (Huckfield, 2021). These principles encourage the SSE to adopt more entrepreneurial and market-led ideals over democratic ownership and control.

## **1.2. National policy**

From the beginning of the twenty-first century, UK national policy goals aimed at the SSE have tended to focus on economic development, social cohesion and public service delivery (Snaith 2007); contextualized within a wider discourse of bureaucratic deregulation and the removal of 'red tape' administrative burdens for business. Social cohesion was a central plank of New Labour Governments (1997–2010) with national policies initiated on tackling social inclusion via the Social Exclusion Unit. The Unit's Policy Action Team 3, for instance, sought to stimulate new forms of enterprise through financial support, such as the

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<sup>2</sup> At this time CICs were also allowed to convert into a CIO thereby accessing new forms of tax incentive and reduced administrative burden.

Community Finance Initiative, encouraging social enterprise start-ups in deprived communities.

Simultaneously, with the continued privatization of public services, SSE organizations were urged to bid for public contracts in running outsourced public services, often at reduced public expense. The New Labour Government encouraged local authorities to re-think their procurement processes and involve more social enterprises in the tendering process for public services. From 2010, under the Conservative–Liberal Democrat Coalition Government, two further pieces of legislation extended the same approach the Localism Act 2011 and the Public Services (Social Value) Act 2012.

The Localism Act 2011 signaled a rhetorical shifting of power away from a centralized government bureaucracy towards local communities. Set against prevailing ideas about business deregulation and entrepreneurial behaviours, new legislation enabling the Community Right to Bid (Part 5 Chapter 3 of the Act) and neighbourhood planning, amongst others, granted new freedoms for community groups and local authorities.

In reality, austerity imposed by central government following the 2008 bank bailout led to huge reductions in public expenditure across the UK and disproportionately impacted local government and, in turn, the SSE through cuts in their public funding. SSE organizations were rightly suspicious of being asked to deliver public services without adequate resources. Yet some social innovation was encouraged, such as through local authority-owned trading companies and municipal enterprises. For example, Liverpool Streetscene Services Ltd was established as a wholly owned subsidiary of Liverpool City Council to deliver refuse and recycling, commercial waste, street cleaning, grounds and trees management.<sup>3</sup>

The Public Services (Social Value) Act 2012 required local public service providers to consider economic, social and environmental value in their procurement decisions. Thus the Social Value Act – along with EU regulations on procurement – provides local authorities with opportunities to support the SSE through shaping public spending. Local authorities are encouraged to use a national framework to measure social value to improve economic and social development through the awarding of public sector contracts.<sup>4</sup> In the Liverpool City Region, where the share of Gross Value Added created by public administration, education and health reached 25% in 2015, the Social Value Act has great potential to benefit the SSE (see section 3.3).

### **1.3. National agency support**

National agencies have emerged in the UK by way of highly centralized government policy support encouraging a more market-oriented perspective. This has reinforced differences in development of three distinct strands of the SSE: the voluntary and community sector, the co-operative movement and the social enterprise sector.

An infrastructure for the development of the voluntary and community sector emerged in the early twentieth century, organized around local and regional Councils for Voluntary Services (CVS). CVSs are membership-based organizations providing technical advice, financial support, capacity-building, training, networking opportunities, political advocacy

<sup>3</sup> See <https://liverpool.gov.uk/business/liverpool-streetscene-services-ltd/>

<sup>4</sup> The National TOMS Framework 2020: <https://socialvalueportal.com/national-toms>

and lobbying. It is not unusual to see CVSs organise and act as consortia to win grant funding or public contracts for their members.

Up until recently, the state funded CVSs for each local authority area, enabling free services for their members. However, since 2010, the CVS model has been threatened by austerity and public sector reforms cutting their funding – partly due to questions over their efficacy (Gilbert, 2017). Nationally, the voluntary and community sector is represented by the National Council of Voluntary Organizations, a membership body for CVSs and individual charities and voluntary associations.

Historically, the British co-operative movement is split between the dominant consumer and retail co-operatives and the more marginal industrial or worker-owned co-operatives – each with their own support infrastructure. In the 1970s and 1980s, the latter’s national body, the Industrial Common Ownership Movement (ICOM), supported the growth of worker co-operatives. This was augmented in 1978 by the government’s establishment of the (national) Cooperative Development Agency (CDA) alongside a regional network of CDAs providing public funding for co-op start-ups and conversions (Huckfield, 2021).

In the 1990s, the CDA network largely disbanded and the worker co-op movement went into decline. In 2001 ICOM was absorbed by the Co-operative Union, representing the consumer co-ops, to form Co-operatives UK, the membership-based body for supporting all co-ops nationally. Co-operatives UK estimate that there are now over 7,000 co-operatives in the UK.<sup>5</sup> Co-operative numbers have until recently been in decline, mirroring the rise of social enterprises with their associated entrepreneurial zeal.

The support infrastructure for social enterprises emerged in the late 1990s. In 1998, two London-based CDAs merged with other SSE organizations to form a new institution, Social Enterprise London. The subscribing members of Social Enterprise London were all from the cooperative movement. The use of the term ‘social enterprise’ for Social Enterprise London was a pragmatic response to the new political climate – a way to capture public and policy interest in enterprise and economic democracy without drawing too much attention to more radical roots in common ownership.

Social Enterprise London sought to modernise the traditional co-operative form, and built links with other movements, such as community enterprise and development trusts, building a ‘big tent’ to eventually form Social Enterprise UK, which was established in 2012 (Teasdale 2012). Today, Social Enterprise UK promotes social enterprise as a response to both state and market failure.

Recently, there have been moves amongst these distinct agencies towards building a more unified SSE movement and support infrastructure. The Social Economy Alliance was founded ahead of the 2015 General Election in order to influence party politics and government policy. It is convened by Social Enterprise UK and its founding members also include the National Council of Voluntary Organizations (NCVO) and Co-operatives UK.

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<sup>5</sup> In their 2019 Annual Report Co-operatives UK suggest 7,215 independent co-operatives operate in the UK, with 13 million members, 234,000 employees and an aggregate turnover of just under GBP 38 billion. Available: <https://www.uk.coop/resources/annual-report-2019>

But so far this initiative is limited to political lobbying and campaigning without resources for technical support of SSE organizations.

#### **1.4. National provision of finance**

Historically, a main source of finance for SSE organizations has been grant funding from government funds, philanthropic foundations and charitable trusts. However, traditional financing routes are now threatened by austerity-induced cut backs of local authority budgets, in turn, harshly impacting the SSE through limited public spending.<sup>6</sup> This has placed pressure on SSE organizations to increase trading revenue and, in the absence of public grants, turn to service payments and commercial loans that often entail punitive repayment conditions (Davison and Heap 2013).

An alternative source of grants, particularly for smaller, voluntary and community-led organizations, is delivered by a number of large independent trusts and foundations, such as the Esmée Fairbairn Foundation and the Joseph Rowntree Trust. Another major source comes from the government-backed National Lottery Community Fund, endowed with profits from the state-franchised national lottery. Power to Change is a grant-making intermediary created through an endowment from what was then the Big Lottery Fund in 2015. Its mission is to fund the development of ‘community business’ across the UK, a growing strand of the SSE.

Grant funding has been complemented by Social Investment Financial Intermediaries (SIFIs) offering low-interest loans. As early as 2010, the social investment market was estimated to be worth GBP 190 million nationally. In 2012, the industry was boosted by the establishment of the world’s first social investment bank, Big Society Capital – an independent financial institution dedicated to funding the emerging social investment market with GBP 600 million of initial capitalization (McHugh et al. 2013).

In 2010, the world’s first social impact bonds (SIB) were issued as a tool to harness capital markets to meet needs arising from public budget cuts. SIBs involve the government not only outsourcing public service delivery, usually to social enterprises, but also outsourcing the responsibility for selecting the deliverer, via an intermediary such as Social Finance. Big Society Capital helped fund SIBs and other social enterprise activities through multi-stakeholder relationships involving government, investors, social providers and intermediaries. This leads to practical difficulty for those in the SSE as administering such a multi-stakeholder market-based model leads to complications in communication, coordination and management, therefore adding to costs. This financialized model of public service delivery and marketized model of the SSE is unsustainable.

As we indicated above (see section 1.1), a relatively new means of SSE fundraising is through community shares. The community share option is a form of capital unique to BenComs, which issue shares to community members. It encourages democracy and self-organizing, providing shareholding members with a vote on how the organization is run. Votes are attached to membership and not share capital. However, profits cannot be distributed in the form of a dividend on share capital, and the assets in the organization are

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<sup>6</sup> Government cuts to Liverpool City Council’s public expenditure between 2009/10 and 2017/18 equated to a GBP 816 reduction for every resident in the city, amounting to some GBP 441 million less in local authority income. This came at a time when demand for social and welfare services was increasing following the financial crisis of 2008-10 (Centre for Cities, 2019).



locked in to benefit the community (the asset lock). Community shares are increasingly being used by smaller, community-based SSE organizations as a way to bypass the expensive and complex social investment market and encourage participation from local stakeholders. However, they are limited by levels of disposable income circulating in a local area.

### **1.5. Devolution and SSE support**

Various pieces of legislation in recent years have enabled devolved governance arrangements in the UK. One outcome of the complicated character of British devolution is the development of different national SSE support infrastructures for each of the four nations plus responsibility for devolved policy and strategy making at the level of the city region, including the Liverpool City Region.

Devolved governance has encouraged national support agencies in Northern Ireland, Scotland and Wales. The Northern Ireland Assembly and the Northern Ireland Executive came from the Belfast (Good Friday) Agreement 1998. Social Enterprise NI (Northern Ireland) is a member-based body providing support for the SSE. The Scotland Act 2016 devolved a number of powers to the Scottish Parliament. The SSE is supported in Scotland by Social Enterprise Scotland, which describes itself as a membership-led organization controlled by social enterprises. Following the Government of Wales Act 1998 and 2006, the Welsh Act 2017 handed more powers to the Welsh Government and National Assembly, including, for example, powers on taxation. Social Business Wales falls under the auspices of the Welsh Government and supports social enterprises and co-operatives along with self-employed workers.

Owing to the peculiarities of the UK Constitution, England lacks a devolved government; but it has embarked on city-regional devolution. English devolution has evolved haphazardly through bespoke agreements negotiated between central government and local politicians. In each Combined Authority, different areas of responsibility are devolved based on deal-making rather than assessment of local need. However, efforts at standardizing the process have been made following the Cities and Local Government Devolution Act 2016.

The 2014 Greater Manchester Agreement was the first of the current phase, although preceded by the Greater London Assembly established in 2000. Devolved powers over local economic strategy, housing, transport, some education and some healthcare come with very modest financial support, without displacing local authority grant funding or statutory responsibilities. In many ways, this represents the tightening of central government control over English metropolitan districts while devolving areas of responsibility.

Of the 10 Combined Authorities established in England, 8 have a directly elected 'Metro Mayor', including LCR, modelled on US cities. Working within this new Mayoral metropolitan structure are Local Enterprise Partnerships (LEPs). 39 LEPs were established across England in 2010 with responsibility for local economic development and enterprise strategy. This shift to devolved governance is thus far from uniform and has further complicated support for the SSE, although it has also opened up opportunities for new public policy support of the SSE in the Liverpool City Region.

## **2. The SSE in Liverpool City Region**

Set within this national political context, the LCR SSE has been supported through both national and local policy. This is the contemporary context in which the SSE has evolved out of a rich local tradition of civic associational life and radical self-organization. Local movements in cooperativism, mutualism and trade unionism were influenced by a distinct type of syndicalism forged from the city's maritime culture and seafaring economy. At the same time, Liverpool's wealth and status – as a primary port of the British Empire and nerve-centre of the Atlantic slave trade – endowed it with philanthropic and charitable trusts and professional associations for addressing enduring social problems (Belchem and Biggs 2011). While the development of the SSE has often been a bottom-up process, central government policy, that developed locally through newly-devolved powers to the Combined Authority, Metro Mayor and LEP, and significant support from the European Union have all proven important at key points in its history.

### **2.1. A brief history of development**

Local philanthropists and activists were critical in developing the city's civic infrastructure, internationally pioneering in fields such as social care and education. The Liverpool Blue Coat Hospital and School was founded in 1708 as a place where poor children could be accommodated, cared for and educated. The UK's first Society for the Prevention of Cruelty to Children was founded here in 1883. William Hesketh Lever, the soap magnate and progenitor of Unilever, built Port Sunlight at the end of the nineteenth century to provide his workforce with decent affordable homes and amenities – a pioneering community model predating the welfare state. Lord Lever also used philanthropic funds to found, in 1907, the world's first ever school for urban planning, the Department of Civic Design at the University of Liverpool.

Amongst the most influential of Liverpool's industrial philanthropists was Eleanor Rathbone. During the inter-war period, Rathbone helped to revitalise the Liverpool Council of Voluntary Aid to meet desperate social needs. This organization was later renamed the Personal Services Society or PSS, one of the largest charities and providers of social care operating in the city region today. Rathbone also inspired the development of the Citizen's Advice Bureau and Age Concern. These two charities originated in the city region and gained national reach and profile as household names, exemplifying the influence of Liverpool on the SSE nationally. Often these philanthropic initiatives worked in a complementary way to municipal local government committed to health, education and housing improvements.

In the post-war wave of community action mobilized against comprehensive urban renewal and bureaucratic public sector management, Liverpool gave birth to a community development and housing cooperative movement, with the highest concentration of housing co-ops in the UK. The housing co-operatives were the product of anti-demolition campaigns in the 1970s, driven by working class communities in co-operation with idealistic housing professionals, who together kick-started the large local housing association sector present today (Thompson 2020). The Merseyside Federation of Housing Cooperatives was established in the 1980s but has since disbanded. The benign legislative and funding system supporting the growth of a 'third sector' of housing associations and co-operatives – coordinated through a decentralized state apparatus although administered centrally – was dismantled by national policy reforms in the 1980s; indicative of the demise of much of

Merseyside's associational culture and reflecting broader cultural shifts in the UK towards a more market-oriented society.

Many communities fought back against the threats facing people in the LCR of unemployment and reduced social security. Local communities were faced with economic devastation from structural shifts in global trade and cuts in public expenditure imposed by the Conservative Government headed by Margaret Thatcher. Local trade union work was coordinated with community organizing. Community anchor organizations such as the Eldonian Community Trust and the Alt Valley Community Trust were established to regenerate their neighbourhoods, provide local jobs, build new housing and create community hubs for meeting needs at the local level otherwise neglected by the state and market (Thompson, Nowak, Southern, & Davies, 2020).

From the mid-1990s, Merseyside qualified for the highest level of European Structural Funds, Objective I.<sup>7</sup> This continued into the 2000s and did much to reverse the city region's declining economic fortunes. From 1989 to 1993 Merseyside received Objective II EU Structural Funds worth around GBP 260 million. As an Objective I area (1994–1999) Merseyside received funds worth some GBP 600 million. Between 2000 and 2006, Merseyside received around EUR 1.3 billion from EU Structural Funds as part of a wider total public contribution of some EUR 3.4 billion.

From 2007, however, Merseyside no longer qualified for Objective I funds, as Gross Domestic Product per capita rose above the threshold of 75% of the EU-15 average, and a phasing-in of new, lesser funding was granted up until 2013.<sup>8</sup> During the phasing-in period, Merseyside received over EUR 300 million from the ERDF Competitiveness Programme, the largest of three EU Structural Fund initiatives. From 2014 to 2020 the Liverpool City Region was designated as a 'Transition Region', allocated EUR 221 million in EU Structural Funds. The Liverpool City Region Local Enterprise Partnership was responsible for setting priorities and managing programme delivery (Southern et al. 2017).

EU Structural Funds have been critical in supporting many organizations in the local SSE. For example, when Liverpool was designated European Capital of Culture in 2008, many social enterprises from the city's burgeoning arts- and culture-led regeneration industry which were able to access European funding supported wider city region events. More systematically, the Objective I 'Pathways to Integration' programme sought to reverse the city region's declining economic fortunes and worsening socio-spatial polarization by building socioeconomic development in the region's 38 most deprived neighbourhoods – worth around GBP 140 million, just under one fifth of total spend of structural funds (Meegan and Mitchell 2001).

True to Liverpool's reputation for innovation and radicalism, the 2010s have witnessed the SSE come full circle with the next wave of community activism channeling the energy of the 1970s and 1980s. Established out of resistance to the latest round of comprehensive

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<sup>7</sup> Merseyside (the administrative area for EU Structural Funds that included all current Liverpool City Region boroughs except for Halton) met the Objective I eligibility criteria of GDP below 75% of the EU average and although part of the wider Northwest region of England, was designated as a region 'whose development is lagging behind.'

<sup>8</sup> While the term Objective I was changed to 'Convergence Region' in the 2007–2013 period, and then to 'less developed regions' for 2014–20, the same qualifying criteria was used.

housing redevelopment and contestation of austerity following the 2008 global financial crisis, community anchor organizations such as SAFE Regeneration in Sefton and Homebaked Community Land Trust and Bakery in Liverpool join the ranks of the community development trusts of the 1980s, such as Alt Valley, as exemplars of what national funding agency Power to Change celebrate as a new ‘community business’ model of local economic development (Heap, Nowak, Schwaller, Southern, and Thompson 2019; Thompson, Nowak, Southern, & Davies, 2020).

## 2.2. The structure of the Liverpool City Region SSE

Our research on the scale, scope and value of the LCR SSE (Heap, Southern and Thompson 2017) found around 1,400 trading SSE organizations in 2016. Previous work on the voluntary and community sector showed evidence of a much higher volume of organizations, at around 8,000 (Jones and Meegan 2015). In this section, we concentrate on the 1,400 shown in our earlier work. Our ongoing research suggests this figure has increased in recent years, by as much as 25%. However, the outcome of the Covid-19 crisis is still to be accounted for and we expect closures in the sector as one consequence of prevailing economic conditions. (We address the public policy response to Covid-19 for the LCR SSE in the Conclusion.)

The snapshot of SSE organizations indicated that they accounted for only around 2% of all businesses in the city region (Heap, Southern and Thompson 2017). Nevertheless, they punch above their weight in an economic as well as social sense. In 2016, almost 45,000 people were employed in the SSE in the city region. The sector had an income of some GBP 3 billion and an asset base of over GBP 4 billion. Key SSE industry sectors in the city region are housing, education, and health and social care, accounting for half of all organizations and almost 90% of annual income, employment and net assets. These statistics have proven to be the starting point for policy-makers to realise the social and economic potential of the LCR SSE.

The city of Liverpool accounted for over half of all SSE organizations (see Figure 2) in the city region. These generated over 50% of total revenue and accounted for two thirds of all SSE assets. Amongst the other districts, Halton SSE organizations make up only 5% of the total number, while Knowsley constitutes 9%, St Helens 6%, Sefton 11% and Wirral 18%. Of the type of SSE organization, we recorded 623 registered charities, 276 social enterprises (CICs), 113 clubs and membership organizations, 5 universities, 122 other educational establishments, 127 social businesses and 103 cooperatives.<sup>9</sup>

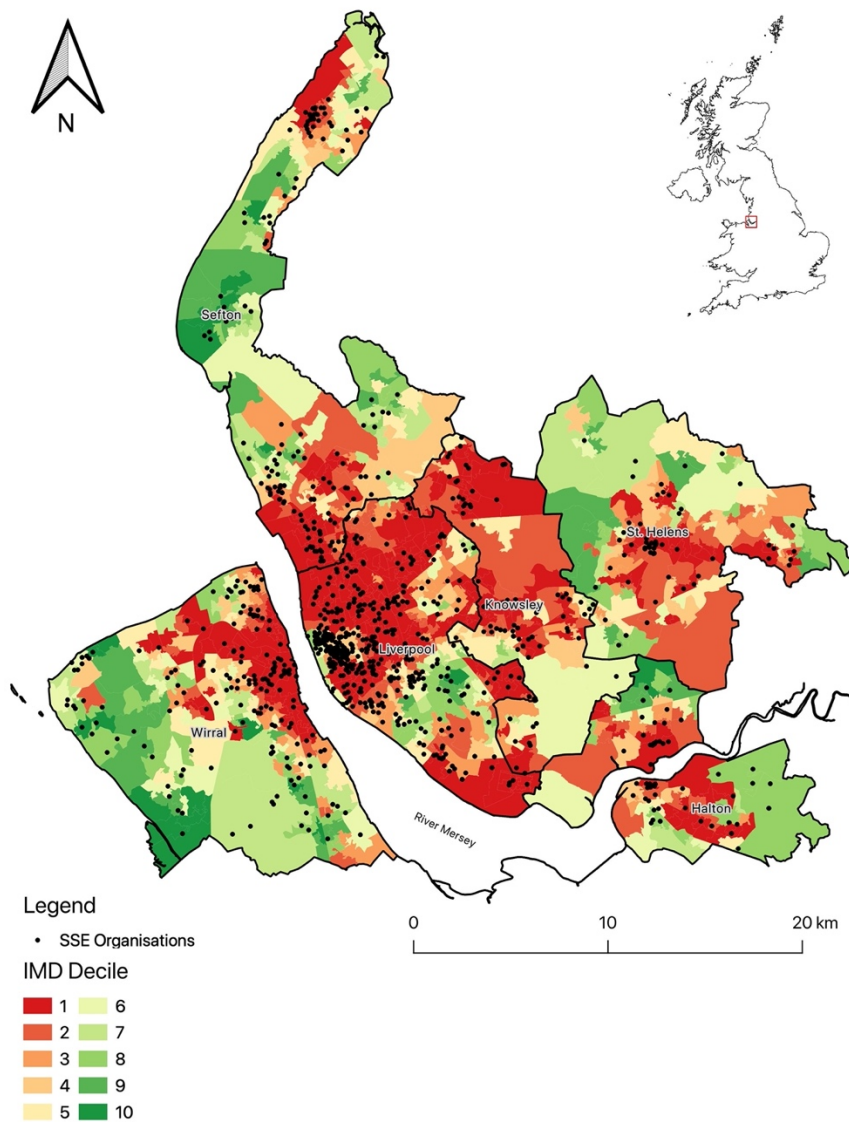
The income and wealth generated in the LCR SSE is heavily skewed towards a few very large players. The research showed that the 35 largest organizations (only 2.5% of total) accounted for around three quarters of all income, assets and jobs in the SSE (Heap, Southern and Thompson 2017). Outside of the very largest players, most of the rest of the SSE is made up of very small organizations. Over half of all social organizations had a net asset value of less than GBP 75,000, around one third less than GBP 10,000, and 11% of the data set disclosed negative net worth. This indicated to policy-makers and practitioners

<sup>9</sup> In the UK, specifically in England, most Higher Education Institutions (HEIs), schools known as ‘Academy Trusts’ and Further Education ‘Corporations’ are known as charities ‘by exemption’. They are charities, although instead of reporting to the Charity Commission, they report to the respective quality assurance quango established for their regulation. For example, universities are now regulated by the Office for Students. Previously, many of these education establishments were under the regulation of local government.

that the SSE sector was undercapitalized, with many entities failing to reach full their potential.

Sufficiently, the research demonstrated a clear association in the city region between poorer communities and the location of SSE organizations. Figure 2 shows the location of SSE organizations, recorded in 2016, against level of deprivation in communities within LCR from 2019 indices of deprivation. In the map, the areas shaded red represent the poorest parts of the city region and the black dots are the location of SSE organizations. This clearly depicts that the SSE plays an important role in helping to alleviate poverty. It suggests that social organizations operate where markets fail and where the public sector has, mainly due to austerity measures, retreated.

**Figure 2: The SSE and levels of deprivation in Liverpool City Region**  
(map produced by authors)



### **3. Developing the SSE in Liverpool City Region**

In this section we examine how local government and city-regional governance have facilitated the LCR SSE by creating more favourable conditions. We reiterate the point about how the hollowing out of local government in the UK has sometimes limited direct support by local authorities and has restricted their scope to implement legal frameworks. Although we also show how, through devolved governance arrangements, attempts have been made by the LCR Combined Authority to provide support for the SSE. As a result, in recent years SSE development has advanced on a number of fronts and this is attributable to independent and collaborative working between local authorities, the Combined Authority and Metro Mayor, and local practitioners and activists.

#### **3.1. Legal support**

In the UK, as described above, national legislation takes precedence although it is often interpreted and managed locally in support of the SSE. In this section we look at how a seminal piece of legislation, the Public Services (Social Value) Act 2012, has been applied in ways that facilitate the development of the SSE. While section 1.2 provided a detailed summary of the 2012 Act, here we outline its innovative application in the Metropolitan Borough of Knowsley (see Figure 1), which has influenced likeminded policy innovation at the Combined Authority level.

Knowsley is one of the poorest local authority areas in England, consistently ranking among the worst ten districts in the Indices of Multiple Deprivation (out of 326 nationally). Deprivation has in the past been tackled through large-scale state-funded regeneration programmes, but in this era of austerity, the local authority has had to find alternative resources. Knowsley Council reimaged their public procurement budget as a financially sustainable and locally controlled regeneration revenue stream. Spending around GBP 136 million a year on procurement with third partners, the council identified GBP 100 million as ‘influenceable spend’ to be used on contracts with the local private sector and SSE.

Knowsley then produced a Social Value Framework that builds upon the 2012 Social Value Act. The Framework stipulated that contract procedures go beyond the basic legislation and embed social value accounting for all services procured above and below the GBP 164,000 EU threshold. Local policy-makers and councillors in Knowsley worked closely with the SSE and its representative groups such as Knowsley Council for Voluntary Services to ensure that procurement rules could be used by SSE organizations. In-house training in social value accounting has been provided for some 100 commissioners via the Commissioning and Procurement Forum. Social value is now measured across local authority contracts, with a rise in public sector contracts with social value outcomes from 6 out of 39 contracts procured (15%) in 2014 to 15 out of 25 (60%) by 2017.

While the focus was on stimulating a local multiplier effect, by contracting public services from within the local SSE, in practice many smaller social enterprises were unable, or ill-equipped, to compete for contracts and smaller-scale social action suffered as a result. In response, policy-makers worked with the SSE to establish a grant fund amounting to GBP 1 million (1% of procurement spend) for smaller community-based organizations who cannot otherwise get through the tendering process. Grants allow for experimentation with new forms of social action or else support the continuation of socially valuable voluntary

work, providing a co-produced commissioning process that funds the co-design of innovative public services.

Knowsley's experience backed by campaigning from the SSE initiated a broader discussion within the Combined Authority about social value. This had three immediate outcomes. First, a Fair Employment Charter consultation was launched. While this is tangential to direct support for the SSE, sector representatives were brought in to contribute their views and garner support. Second, practitioners who had organized events involving the National Health Service, local authorities and housing associations explored how new avenues for trade could be developed for SSE organizations. This resulted in the Metro Mayor, Labour politician Steve Rotheram, committing to looking into how procurement could be shaped in this way across the city region involving both private and public sector anchor institutions. Third, in the autumn of 2020, the Combined Authority launched a consultation on its Spatial Development Strategy with a specific focus on social value, as we explain below in section 3.3.

### **3.2. Support agencies**

Support for the SSE in the UK rarely flows directly from public policy so, despite the shift towards local governance through city-regional devolution, support is generally self-help from within the sector. Nevertheless, secondary support agencies are crucial to the development of the SSE and in this section we show how public policies can facilitate such support.

Support agencies provide technical legal and business advice, access to finance and grant funding, capacity-building, skills training, networking opportunities, and sometimes research, political advocacy and lobbying services for their members. Bespoke support agencies have been developed for each movement within the SSE.

The rapid growth of the housing cooperative movement in Liverpool and Knowsley in the 1970s and 1980s was only made possible by an infrastructure of dedicated secondary support agencies such as Co-operative Development Services – characterized as the 'mother' to many 'daughter' co-ops (Thompson, 2020). Housing co-operative support agencies worked closely with national regulators, local authorities and council tenants to provide technical support and connect co-op groups with public funding for the development of a new, cooperative kind of public housing. Whilst this model has largely been dismantled, it shows how support agencies play a central role in connecting the SSE with public policy.

The most established support agencies in the LCR SSE are the Councils for Voluntary Services (CVS) – the oldest having developed in the early twentieth century (see section 1.3). Each of LCR's six local authority districts (see Figure 1) has a CVS – although Halton and St Helens have recently merged due to financial difficulties. At the city region scale they are organized as the VS6 network (Voluntary Sector 6) and at the higher regional level as Voluntary Sector North West (VSNW), the umbrella body for the northwest, crucially connecting the LCR with Greater Manchester. This organization proved to be a critical support in the early period of the Covid-19 crisis in the city region through emergency discussions facilitated by the Metro Mayor (see Conclusion).

A more recent addition to the LCR SSE's support infrastructure has developed alongside the rise of social enterprise. In 1994, Liverpool City Council initiated the Community Based

Economic Development (CBED) programme on the back of EU Objective I Pathways to Integration funding (see section 2.1). CBED aimed to stimulate alternative employment creation – specifically social enterprise – through the establishment of an Enabling Body in each of Liverpool’s 11 Pathway areas (out of the 38 across Merseyside) (Brennan, 2004). These enabling bodies incorporated community-based facilities providing support and services for community enterprises and other start-ups.

Many of the beneficiaries of the CBED programme became involved in the organization of a more durable structure – the Merseyside Social Enterprise Network (SEN) – for the representation and governance of the local social economy. SEN was founded in 2000, as a platform for communication and cooperation amongst the city-region’s social enterprises. This was the UK’s first membership-based social enterprise network. These pioneering local developments were reflected in the choice to locate in Liverpool the national body for measuring social value, Social Value UK.

Whilst public funding enabled the establishment of SEN through the CBED programme, SEN’s business model relied on membership fees. Members were mostly small social enterprises in the city-region although due to financial difficulties SEN increasingly recruited members with bigger budgets, including, quite controversially, large private companies outside the SSE such as Jaguar Land Rover and Stagecoach. Due to these issues, SEN folded in 2017. At the same time, the CVS model also faced severe financial difficulties as its traditional membership-based funding was threatened and as amongst its biggest funders, local authorities, passed down their budget cuts. This has left a vacuum in SSE governance and infrastructure at the city regional scale.

Sectoral factionalism between the social enterprise and CVS movements translated into a lack of unity or cooperation in LCR’s SSE. Moreover, under austerity, there was no chance of public funding for support agencies. However, since 2016, practitioners and activists from across the LCR SSE, supported by academics from the University of Liverpool, have established an alternative network, the LCR Social Economy Panel, to take on the mantle of unifying these disparate traditions, including a more marginal, but nonetheless reviving cooperative movement, and to provide a political voice for the SSE within the emerging city-regional governance bodies, the CA and LEP (see section 3.5). The outcome of this was the formal inclusion of the LCR Social Economy Panel into the arrangements of the CA in 2020 when the LCR SSE Reference Panel was established. For the first time, the SSE now has a recognized voice within the governance structures of the city region and is able to shape policy.

The formation of the SSE Reference Panel and its conduit into the LCR CA is an important step in providing the sector with a political voice. However, there are two shortcomings in the current set up that require attention. While most sectors across the geography of the city region SSE are represented on the SSE Reference Panel, some sectors are not. This inequality reflects the types of SSE organization encouraged through legislation, for instance more CICs (social enterprises) and CIOs (charities) than BenComs (cooperatives). Nonetheless, the terms of reference have been established to provide the Reference Panel with a real chance to develop the SSE. But to achieve this it must be well-resourced and supported by co-constructed knowledge for the shaping of public policy (see section 3.7).



The second limitation lies with how the SSE can develop its own self-organizing capabilities. The work carried out by practitioner activists in the community and voluntary sector has helped overcome sectoral factionalism, particularly their work in response to the Covid-19 crisis. The challenge now is to provide the democratic foundation that can underpin the Reference Panel through their self-organization, and presenting ways to include the thousands of organizations that make up the SSE and wider community and voluntary sector. While the SSE's trading organizations can help reform the local economy through their commercial behaviours, those reliant on voluntary labour, grants and gifts also need to be heard within the broader structures of the SSE movement. This development of internal accountability and democracy will support the SSE's cohesion and consensus-building, as well as the legitimacy and capability of the Reference Panel to influence public policy.

### **3.3. Policy development**

One of the earliest local policy developments involved Liverpool's SSE movement writing a Social Value Charter, building upon the Social Value Act 2012, with Liverpool City Council amongst its signatories. Although this ultimately failed when SEN, the lead partner, ceased operations, the Combined Authority have recently developed a new focus on social value and are, at the time of writing, running a city region wide consultation on how to maximise social value in all forms of investment, development and economic planning, to feed into the LCR Spatial Development Strategy (SDS).

The SDS is the statutory strategic spatial planning document for LCR currently under development and which sets out an integrated economic, environmental, transport and social framework for the next 20–25 years. Rather than rely on the 2012 Act, the CA have used the opportunity presented by the SDS to seek to protect the SSE against loss of land and buildings in any spatial development and to support the development of new social economy uses. Although still in gestation, the SDS represents a trail-blazing policy; it demonstrates how, when national legislation is interpreted locally in this way, socially innovative policies can be forged to directly support the SSE.

The Combined Authority has also made a more general commitment to the SSE, embedded in the city region's draft Local Industrial Strategy published in March 2020. In their plans to develop an inclusive economy, the CA announced that the SSE will be mobilized to play a more central role in building a thriving city region economy. The Strategy stated that by empowering social innovators, the CA can expand “the social economy by providing investment opportunities for new start-ups and scale-up funding for existing social organizations with growth potential” (LCRCA, 2020: 35).

This recent public policy support for the SSE is partly the result of the Social Economy Panel's lobbying for the establishment of the formal SSE Reference Panel. The purpose of the LCR CA SSE Reference Panel is to drive forward a positive narrative about the SSE, acting as an honest and trusted voice for the sector, and to provide a forum to advise policy-makers on support requirements for the SSE and, importantly, how to make the whole economy more social. The Reference Panel empowers SSE practitioners and activists to work with public policy-makers; early achievements include the city region consultation on social value and inclusion of the sector in the Local Industrial Strategy.

The incorporation of the SSE into strategy formulation processes within city-regional governance bodies is a major step forward in providing collaborative forms of decision-

making. It is too early to judge the effectiveness of this conduit, although for the first time the SSE is organized in a way that influences the governance of the local economy.

### **3.4. Finance**

Finance provision represents another substantive area of local policy. An important recent development is Kindred, a social investment vehicle to support the SSE. Alongside the SSE Reference Panel and the Local Industrial Strategy's SSE focus, this initiative emerged after research commissioned by the LCR Social Economy Panel and conducted by the University of Liverpool (Heap, Southern and Thompson, 2017) provided an evidence base showing a clear need for new forms of financial support (see section 3.7).

In response to these findings, local practitioner-activists, including one of the researchers, came together with the CA and the national agency Power to Change to explore policy solutions. The outcome was Kindred, established as an independent CIC governed by the LCR SSE, formally outside of the CA but with public funding. Kindred's mission is to offer finance that is more empathetic and sensitive to the needs of the SSE. It is developing solidarity funding and 'pay it forward' reciprocity in finance to overcome the alienating language of 'loans', 'capital' and 'investors'.

Kindred is currently operating with an interim Board of Directors, who with the management team are shaping its legal form and priorities for operation. Membership of Kindred – the basis of its ownership – will be incorporated organizations in the LCR SSE which can demonstrate alignment with Kindred's values and objectives. Key criteria of membership include social impact, active engagement in communities and asset locks.

In addition to providing in-kind support and pro bono staff time for Kindred's start-up phase, the CA has committed to investing GBP 5 million into Kindred, with GBP 1 million from Power to Change. Kindred's Board and management team consist of SSE financial experts and local practitioners, an academic, a CA representative, and an interim Chair from Power to Change. The provision of blended loans and grants, long term patient equity and equity-like funding, and peer-to-peer support will be offered from the beginning of 2021 to provide unprecedented financial support for the LCR SSE.

The SSE is under-served in the provision of affordable finance (Heap, Southern and Thompson, 2017). Existing provision by national agencies, financial intermediaries, SIBs and SITR, and the provision of community shares (see sections 1.1 and 1.4), and their management at the local level, has failed to provide the right type of finance that will develop the SSE in the city region. In this sense, Kindred – although still in its early formation – has the potential to transform the finance landscape for the sector.

### **3.5. Markets**

One of the most direct ways local government strengthens SSE access to markets in the LCR is via public procurement. Knowsley Council has been pioneering in this respect (see section 3.1). Knowsley's successful diversion of increasing proportions of its influenceable spend to largely local organizations that can demonstrate social value creation has provided the model for emulation at the city-regional scale. Building on Knowsley's example, the LCR Combined Authority is the first in the country to incorporate an evaluation of social value in its SDS (see section 3.3). This will ensure the consideration of social value for every policy

of the Combined Authority and will have direct positive impacts for organizations in the SSE, especially in terms of accessing public markets.

In 2020, the Metro Mayor commissioned a local think tank, the Centre for Local Economic Strategies, to establish and facilitate the LCR Land Commission, the first city-regional land commission in the UK. The Commission's remit is to make radical recommendations for CA and local authority policy over the use of publicly-owned land and under-used or vacant privately-owned land. While deliberation is still ongoing amongst commissioners, their forthcoming final report will form the basis for new local policy on how SSE organizations can access land coming up for sale or public disposal or through new compulsory purchase powers granted to the Metro Mayor as part of the devolution agreement. This represents an unprecedented policy intervention into land markets in LCR – one explicitly designed to support the development of the SSE through public-common partnerships, community land trusts and community development corporations.

Another intervention in markets comes through the LCR Local Enterprise Partnership (LEP), a public-private partnership set up in 2011 as the statutory agency responsible for local economic development strategy and recently brought under the auspices of the Combined Authority. Local economic policy is devised through a number of sector boards representing the stakeholders and interests of the seven 'growth sectors' of the LCR economy, including advanced manufacturing, professional and business services, digital and creative, and the visitor economy. Following lobbying from the LCR Social Economy Panel, the LEP has recognized the importance of the SSE and inaugurated a bespoke board for the social economy. This means the LCR SSE now has representation and direct influence in the decision-making process for public policy that shapes markets.

### **3.6. Capacity building and awareness raising**

Public policies within the city region to support capacity building in the SSE are limited. Mostly, capacity building in the SSE is largely delivered from within the sector by national agencies. For example, Co-operatives UK will provide training for co-operatives that include one-to-one support with a development advisor, in-house skills training and peer mentoring, funded until the end of 2020 by the Co-operative Bank plc (a retail and commercial bank and not a co-operative).

The Liverpool City Region is host to important agencies delivering capacity building both locally and nationally. The Women's Organization, established in 2000, is the largest developer and deliverer of business training and enterprise support for women in the UK, notably for women in marginalized communities and in the SSE. The School for Social Entrepreneurs North West was established in Liverpool in 2007 in partnership with Blackburne House, one of the country's leading social enterprises, to provide training and networking opportunities for social entrepreneurs across the northwest region. This is part of a national network of Schools which won grant funding from the National Lottery Community Fund to support training for social entrepreneurs across the UK to the tune of some GBP 1 million per annum. They also work with corporate partners and attract non-financial and pro bono support to help deliver services to the SSE.

Across the UK, capacity building is usually supported by revenues from philanthropic and corporate funding, and largely without systematic support from public authorities. However, the LCR Combined Authority is now beginning to intervene in capacity-building. One of the key recommendations of the LCR Land Commission is for an Accelerator programme to act

as a capacity-building hub for both community groups and public officials, and create a conduit between local authorities seeking to divest of land holdings and SSE organizations looking for plots of under-used land for various community or ecological uses. It aims to provide the knowledge and expertise that local authorities require in order to administer complex tasks such as community asset transfer or compulsory purchase orders on under-used buildings.

The Accelerator will draw together expertise in land development from across LCR's burgeoning SSE ecosystem of 'community anchor organizations'. These organizations act as capacity-building hubs of SSE activity for the neighbourhoods in which they are embedded. Examples include Baltic Creative CIC, Beautiful Ideas Co, Make CIC, Eldonian Community Trust, Alt Valley Community Trust, SAFE Regeneration, Homebaked CLT and Granby Four Streets CLT. The publicly funded Accelerator aims to draw on these exemplars to build local capacity for the development of additional community anchor organizations.

Local policies aimed at capacity building are lacking or at best embryonic. The LCR SSE continues to rely on capacity building from within, drawing indirectly from local and central government where possible. In some respects, this is beneficial to the SSE sector who are able to determine their own needs and types of support. However, there is scope for policies and better guidance that clarify how capacity building could support the SSE in the city region.

Likewise, in terms of raising awareness, public policy has been slow to support SSE initiatives. Since 2014, Liverpool has hosted the International Business Festival – one of the largest such events globally bringing together thousands of entrepreneurs and businesses from around the world every two years. For the 2020 Festival, the Metro Mayor and Combined Authority, which part-funds the event, reinvented it as the 'Good Business Festival'. This is designed as a forum for ethical business, to showcase how businesses can maximise social benefits and engage local residents and organizations, as well as attracting an international business audience. The LCR SSE features prominently in the programme, which will enhance the profile of the SSE, raise awareness amongst the public and local stakeholders, as well as providing SSE organizations with new opportunities to access global and national markets.

There is growing recognition, nonetheless, that more needs to be done to raise local awareness of the SSE. The SSE Reference Panel and other SSE advocates are looking to other cities across the UK for inspiration, to demonstrate to the Combined Authority what could be done in the Liverpool City Region.

For instance, Plymouth City Council in Devon has for several years supported 'Co-op Fortnight', which promotes 'acts of co-operation' and showcases the city's co-op movement through a two-week programme of co-operative-themed events. Plymouth City Council – a 'co-operative council' and leading member of the Cooperative Councils' Innovation Network<sup>10</sup> – subsidises local cinemas to screen films featuring co-operative narratives. It has pledged to double the size of Plymouth's cooperative economy by 2025. The city was the first in the UK to be designated a 'social enterprise city' by Social Enterprise UK, following successful lobbying from local advocates and support from the City Council. Plymouth University is the world's first officially certified 'social enterprise university'. SSE

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<sup>10</sup> See <https://www.councils.coop/>

practitioners are using such examples to lobby the LCR Combined Authority and Metro Mayor to support similar initiatives to raise awareness and build profile.

### **3.7. Co-construction of research and knowledge exchange**

In 2015, the LCR Local Enterprise Partnership (LEP) entered into a knowledge transfer partnership with the Heseltine Institute for Public Policy, Practice and Place at the University of Liverpool. This involved a researcher at the Heseltine Institute seconded to the LEP as a policy advisor. In 2016, this arrangement evolved into policy advice specifically on incorporating the SSE within economic development strategy. This helped sediment a more long-term informal relationship between the Combined Authority/Metro Mayor and researchers at the Heseltine Institute working on the SSE.

These foundations for research and knowledge exchange were subsequently built upon by the LCR Social Economy Panel from 2016 (see section 3.2). A key intervention was the Panel's commissioning of research on the scale, scope and value of the social economy in the city region, conducted by researchers affiliated to the Heseltine Institute (Heap, Southern and Thompson, 2017). This report enabled practitioners in the city region involved in the Panel, to demonstrate to the CA, LEP, local authorities and other key anchor institutions the essential contributions that the SSE makes to the city region's economy and society (see section 2.2).

Through this research and other activities, the Panel has hosted various workshops and events to which key policy-makers have been invited and which have generated political interest in the SSE. The research has had notable impact on public policy: one of the recommendations of the report was for the establishment of a Land Commission, a proposal subsequently taken up by the Metro Mayor (see section 3.5).

The work was complemented by research into community hubs, community businesses and community anchor institutions (Heap, Nowak, Schwaller, Southern, and Thompson, 2019). Together, this showed how better representation for the SSE would influence the LCR Combined Authority plans for the local economy. As it was disseminated, the findings influenced policy direction, as outlined in sections 3.1, 3.3 and 3.4. Local economic planning in the form of the Local Industrial Strategy has been significantly influenced by the research; likewise with the formation of the SSE Reference Panel and Kindred, both drawing on the research. Other areas of influence include attempts to shape the expenditure of the public sector to support the SSE, which is ongoing, and the mobilization of social enterprise and CVS organizations in response to the Covid-19 crisis in early 2020, which we explore in more depth in the Conclusion.

## **4. Conclusion**

Much of our attention in this report has been focused on public policy changes at the national scale owing to the power and precedence these take in the UK over any changes at the local level. The most significant legislation shaping the development of the LCR SSE was passed by central government over the last few decades, from the Companies Act 2006 and the Charities Act 2006 to the Co-operative and Community Benefit Societies Act 2014. Such laws are critical in determining the legal forms that SSE organizations can take and the economic and social benefits that can be derived from them. Many of these reforms have created new legal forms, such as CIOs and CICs, to streamline and modernise the SSE by

removing administrative burdens and bureaucratic regulations and by injecting a dynamic entrepreneurialism into business practices.

Public policy has not always been so generative of new possibilities for the SSE. We showed how public policies for finance in particular – a key factor in the further development of the SSE – are lacking at the national level. This has opened up space for innovative initiatives at the city-regional scale, as we see in the case of Kindred in the LCR. The complex and convoluted social investment market that has evolved in the UK to connect national funding programmes with local recipients reflects the general shift in SSE public policy towards a more market-oriented, entrepreneurial model, sharing more with the USA than with Europe or Quebec. This contradicts the values and principles of democratic accountability, mutualism and community engagement which remain the DNA of the SSE movement in the Liverpool City Region.

The history of the LCR SSE is one of radical politics, reformist philanthropy and pragmatic policy development. The city region has some of the oldest SSE organizations in the UK, alongside exemplar initiatives born out of late twentieth century struggle against economic and political adversity – from the impoverishment suffered from global economic restructuring to that of government-imposed austerity. The city region's resilient SSE has responded most recently to the public expenditure cuts that followed the 2008 bank bailout and which, owing to political prejudice, have been particularly deep for local authorities in the LCR.

Not all public policies at the national level have been so locally insufficient or damaging. The new social value paradigm inaugurated by the Social Value 2012 alongside English city-regional devolution have together created favourable conditions for supportive policy innovation at the local level. We cited two examples of how social value has been incorporated within public procurement to favour the SSE – in Knowsley local authority and the wider LCR Combined Authority.

Devolution has been the most important policy shift in decades for the development of the LCR SSE. The creation of the LCR Local Enterprise Partnership, followed by the Combined Authority and the Metro Mayor, has enabled the development of locally-attuned public policy for the SSE. However, this has emerged not through any intrinsic political support from these bodies but only through the concerted efforts of local activists, practitioners and researchers to promote and lobby for SSE inclusion in the new governance arrangements. This was only possible through the conscious unification of the diverse and often divided local SSE movement around a shared policy making platform.

This report has shown how the LCR SSE is structured – like the policies and legislation that support its development nationally – as three distinct traditions: the voluntary and community sector; the co-operative movement; and the social enterprise sector. We have demonstrated how the supportive infrastructure for the SSE – and public policy support in particular – has developed very much within the parameters set by this tripartite structure. Bespoke support agencies at the national and local level have been developed by activists and practitioners, often with the support of public policies and government funding, for each of these traditions.

It is only very recently that these strands have been woven more closely together to form a coherent SSE movement, backed by a unified support infrastructure and public policy agenda.

In the Liverpool City Region, this first entailed the development of the Social Economy Panel, which helped build the platform required for each of the city region's SSE sectors to work together in more systematic fashion. In turn, this enabled the SSE to seek out collaborative partnerships with the emerging city-regional governance bodies, the CA, LEP and the Metro Mayor. Public partnerships have been established across a range of policy issues, from finance and technical support to local economic development and market research. The successful development of public policies for the SSE is evident in such recent initiatives as the LCR CA SSE Reference Panel, the LCR Land Commission Accelerator, the Spatial Development Strategy, and Kindred.

This collaborative work between public policy-makers and SSE practitioners brings together three important components to co-construct new policy tools and approaches to joint working. First, the political voice for the SSE has been firmly established within the CA, through the SSE Reference Panel. Second, the pursuit of inclusive growth by the LCR CA in their Local Industrial Strategy and Spatial Development Strategy positions the SSE in a critical economic development role. Third, the formation of Kindred – and potentially the Land Commission Accelerator – is an innovative response to what is desperately needed by organizations in the SSE: patient capital and affordable land and workspace.

The strength of this policy platform is now being tested by the severe repercussions of the global pandemic as the UK faces an economic downturn not witnessed in decades. So how effective has it been in meeting the challenge of Covid-19? First, the CA reacted quickly by accelerating support for Kindred. An initial emergency funding package worth GBP 60,000 was agreed to enable Kindred to provide business support and immediate help for the SSE in these extreme circumstances.

Second, in March 2020, Metro Mayor Steve Rotheram and the CA launched the “LCR Cares” Covid-19 Community Support Fund, in partnership with the Community Foundation for Merseyside and the National Emergencies Trust. This is aimed at small community and voluntary groups, which can access up to GBP 3,000, to support vulnerable people impacted by the pandemic, particularly around access to food.<sup>11</sup>

Third, the Metro Mayor organized a number of sub-groups to understand how the pandemic was impacting communities and what the response to the crisis should be, including one with the SSE drawing on the SSE Reference Panel. The outcome was purportedly a more effective allocation of emergency resources. Finally, the Metro Mayor, with Greater Manchester Mayor Andy Burnham, signed a letter, sent to the Chancellor of the Exchequer Rishi Sunak, calling for an extension to the tax relief for the SSE provided through SITR, which was due to end in April 2021 (see section 1.1). This was coordinated by Social Enterprise UK. At the time of writing, we are still waiting to hear whether it was successful.

In sum, the policy platform recently created through collaboration between SSE advocates and city-regional policy-makers for supporting the LCR SSE is too new – with many initiatives still in gestation – to make an informed assessment of its effectiveness. However, the speed at which emergency support has been put in place in response to covid-19 suggests a very promising future for the Liverpool City Region's embryonic SSE policy infrastructure.

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<sup>11</sup> <https://cfmerseyside.org.uk/funds/lcr-cares-covid-19-community-support-fund-co-op-fund->

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