

Executive Summary

Woodland-related Social Enterprise: Enabling factors and barriers to success



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1. Introduction

Over the last decade, interest in the potential contribution that social enterprises can make to society has been growing and this is evidenced in the increasing focus that is being given to them within public policy. At the same time, there has been an upsurge in attention on encouraging third-sector and civil society organisations to take on the management and/or ownership of physical assets such as land or property. Indications are that the growing importance of these agendas is likely to continue, as, for example, these ideas fit neatly into the ‘Big Society’ ethos of the UK coalition government.

The forest administrations in England, Scotland and Wales are all committed to contributing to sustainable local and community development (social, environmental and economic) and helping to build community capacity and cohesion. They have recognised that supporting woodland-related social enterprises, with a particular emphasis on enterprises based around community management and/or ownership of woodland, could be one way to achieve this.

The support for woodland-related social enterprises within forest policy is relatively new. Practical application of related policy objectives is even more nascent, especially within England and Wales, and a thorough understanding of the value of woodland-related social enterprises and the best ways in which to support them has yet to be achieved. This study is a contribution towards improving this understanding and has been commissioned by the Forestry Commission in England, Scotland and Wales. Its focus is on examining the barriers and challenges facing different types and models of woodland-related social enterprise and investigating critical enabling factors.

1.1. Objectives

The specific objectives of the study are to:

- Define social enterprise in a way that is useful to the Forestry Commission
- Describe social enterprise in a range of selected case studies covering a spectrum of tenure rights and economic dependence
- Identify the barriers, challenges and enabling factors to establishing and maintaining ‘successful’ and sustainable woodland-related social enterprises

This study be useful for: policy-makers and those responsible for policy delivery within the Forestry Commission; other public bodies engaged in supporting social enterprise and asset transfer agendas; those already engaged in woodland-related social enterprises; those involved in supporting such businesses, community development organisations, community woodland groups; those considering establishing woodland-related social enterprises, and those concerned with the question of the future management and ownership of the public forest estate.

1.2 Definitions

Various definitions of social enterprise exist. Most commonly they are described as businesses that operate primarily to achieve social and environmental objectives, rather than to provide returns to owners and share-holders. Any profit or 'surplus' that they accrue is usually, therefore, invested in furthering their social and environmental objectives and developing their business (Cabinet Office, 2010; Social Enterprise Coalition, 2010).

However, while there is a broadly accepted definition of social enterprise, the details underlying what exactly constitutes a social enterprise are highly contested and often this debate revolves around how profit is used and whether all or only some must be reinvested into the aims of the enterprise.

Whatever the criteria used to define them, social enterprises come in various shapes and sizes, ranging from small community-owned shops to large organisations delivering public services. Prominent examples of social enterprises include the fair-trade chocolate company, Divine Chocolate; The Big Issue; Jamie Oliver's restaurant, Fifteen and The Eden Project.

1.3 Methods and Structure

The research for this study involved a literature review, desk-based study and 20 semi-structured telephone interviews, six based in England, nine in Scotland and five in Wales. Of these eighteen interviews related to specific existing or proposed woodland-related social enterprises and were conducted with people involved in their establishment or current management. The remaining two discussions were with individuals from organisations carrying out work which was strongly linked to woodland-related social enterprises to give a broader view of some of the issues affecting them.

This main report contains two distinct parts. The first half details the findings of the literature review and sets out: the current status of the social enterprise sector; the associated academic and policy context; potential benefits, barriers and risks related to social enterprise and the ownership and management of assets by communities, and a brief overview of the possible legal forms available to social enterprises.

The second half of the main report focuses on case studies and empirical findings, including the key enabling factors for woodland-related social enterprises, the barriers to their success and the key considerations that need to be addressed by the Forestry Commission and other agencies in order to best support the development of a sustainable woodland-related social and community enterprise sector.

Below a summary of the empirical findings and key considerations is provided.

2. Findings: Enabling factors and barriers to success

The study identified a number of enabling factors and barriers to success for woodland-related social enterprises. In many cases the issues listed below may be considered to be both enabling factors and barriers. For example, in the case of point one, when financing is available it is an enabling factor but when it is not available it becomes a barrier to success.

1. The **availability of financing**, typically in the form of grants or loans, is a key factor in relation to the ability of woodland-related (and other) social enterprises to be created and maintained. This is especially true in the early stages of establishment, when costs are often highest. In the current economic climate, concerns over grant funding streams are likely only to increase and earned income streams may also be drying up.

Training-focused social enterprises appear to also face some specific financial constraints. For example, there seem to be constant changes in governmental policy and grant priorities in respect of targeting different societal groupings (such as the long-termed unemployed generally or unemployed young people), which mean that those enterprises reliant on government funding over the long-term can become seriously compromised when funding priorities change to target a different group or groups in society.

2. Alongside financial support, some interviewees also noted that an important success factor for them was the **non-financial business support** that their enterprises had received from civil society agencies and specialist social enterprise support providers, or that they hoped would be available in the future. However, it was also suggested that some of these support bodies were facing difficult times with less avenues of funding available to them than in the past.
3. Beyond the identified need for business support, there were also calls for **greater support** to be given to woodland-related social enterprises **by public bodies** generally and the Forestry Commission in particular. Improvements to grants systems and the need for more strategic, joined up thinking were both highlighted.
4. It was also suggested by interviewees that finding **supportive individuals and champions within public bodies** such as local councils was often vital to making progress; without their support, some projects were liable to flounder and having key individuals on board could aid the route through red tape and



perceived bureaucracy. However, it was also noted that identifying these individuals was not always easy and that relying on individuals rather than on more widespread acceptance and support within public bodies was not ideal due to staff changes.

5. Many interviewees perceived that a barrier to progress was **the imposition of time consuming bureaucratic hurdles as well as institutional barriers**. At the national level, it was observed that an institutional barrier to progressing the social enterprise agenda existed in the form of disjointed working between government departments and there were calls for more joined-up policy on this issue, driven from the top by politicians. At the local level, bureaucratic hurdles and institutional barriers were perceived to be imposed by local council departments, such as planning, and those responsible for land management as well as other conservation bodies, related statutory agencies and the Forestry Commission.
6. Another issue related to institutional barriers and bureaucratic hurdles is that of **public sector procurement processes**. For some woodland-related social enterprises this issue is key because it is perceived that procurement processes are often geared more towards large-scale service providers and do not usually take into account the added value that social enterprises can provide when evaluating 'best value' which is typically assessed in purely economic terms.
7. Similarly, some interviewees pointed towards the **need for mechanisms**, such as those provided by the NFLS in Scotland, to be put in place more broadly across the three countries and across more/all public sector land owners, **to ensure that where public land and assets are sold or leased**, rather than be sold or leased to the highest bidder as a matter of course, **public sector bodies must additionally consider the social, environmental and community benefits that will be delivered by each party**.
8. Another issue raised by this study and which has hindered the progress of some social enterprises is around **marketing** and a lack of staff dedicated to this activity or a lack of quality marketing instruments being developed such as websites.
9. The challenge of having limited marketing skills available within some enterprises is an example of the problem of **limits in existing capacity**, including experience, knowledge and time available within communities to form and run such businesses. For example, it must be recognised that where woodland management is a key part of the planned enterprise, and forestry skills do not

exist within the community or membership, then these skills will need to be paid for in the form of a professional forester.

10. There is also no point establishing a social enterprise that does not meet an identified need, as without sufficient **demand** for its services or goods it is likely to fail.
11. Another success factor identified was that of **leadership**. The establishment of most of the social enterprises investigated in the report was driven by one or more committed individuals. Some case studies additionally highlighted the need to ensure that there is confidence that the **key members of an enterprise can work together** and that there is understanding of the governance mechanisms and how decision-making will be undertaken from the outset, which will also help to manage individual expectations.
12. The woodland-related social enterprises explored in this study demonstrated that an array of arrangements are possible in terms of woodland asset ownership and management, although long-term leases are not evident. It is difficult to discern trends from the small sample studied, but research suggests that Scotland's woodland-related social enterprise sector is more prolific than within England and Wales. This phenomenon has been facilitated in part by the **community right to buy law** in Scotland and the **National Forest Land Scheme (NFLS)**, the like of which are not present in the other two countries.
13. Some issues with **the legal models available for social enterprises** were raised. Ultimately, the main bug bear amongst interviewees seemed to revolve around the current need for charitable status to avoid tax and protect assets, and also to access various funding sources which are only open to charities. The problem lies in the fact that charitable status comes with inherent trading limitations which often result in the need for the establishment of a trading subsidiary and this dual structure can create governance and management complications. Furthermore, while charitable organisations may be more able to secure grant funding, they are often perceived as unsuitable or unacceptable candidates for commercial investment.

Another issue is the favour currently given by some funding and statutory bodies towards certain legal models. For example, under the community right to buy legal provisions in Scotland, the required legal structure for a community wishing to acquire and manage land is a company limited by guarantee with or without charitable status, which precludes the option of raising share capital.

14. It is too early to be able to discern if there are some **types of woodland-related business which are more suitable to run as social enterprises than others**, or certain types which are more suited to achieving specific aims.

3. Key Considerations

Although the social and community enterprise movement can, by its very nature, only be driven from the bottom-up and cannot be artificially imposed or created in a top-down fashion by public institutions, the case studies and discussion presented within this report reveal that the Forestry Commission and other agencies who wish to support the development and maintenance of sustainable woodland-related social enterprises and see them flourish and fulfil their potential could consider and address a number of key issues in order to help support this vision:

3.1 Cross-sectoral

1. There is a need for **more joined-up thinking across government** departments and across government policy in relation to community development and social enterprise, which would help to both mainstream the social enterprise agenda and to ease the establishment, operation and growth of social enterprises in a variety of areas. Such changes would probably need to be instigated at a ministerial level in order to be successful and effective.
2. There is also a need for government to **ensure the adequate financing of support services for social enterprises**. This study has revealed how fundamentally key such services are felt to be by many enterprises. They are an important element in safeguarding the future success of social enterprises, helping many such initiatives to tackle and overcome the challenges which they are faced with, including legal, structural and financial issues. Included within such support services should be those organisations that allow networking between enterprises, such as the Community Woodlands Association, since they are vital resources which can be used to help community and social enterprises thrive and enable enterprises to learn from one another.
3. The favoured legal form for not only woodland-related social enterprises, but social enterprises across the board appears to be the company limited by guarantee (CLG). Often, however, these CLGs also adopt charitable status in order to ensure that an asset lock is in place, to qualify for the tax advantages only available to charities and because charities are the only legal form eligible to apply for many funding sources. While seeming to work reasonably well, adopting this dual structure does pose some challenges and brings with it the additional administrative burden of reporting to both Companies House and the Charity Commission (England and Wales) or the Office of the Scottish Charity Regulator.

One way to ensure that an enterprise will always act in the community interest and that its assets are locked is to register it as a CIC rather than a charity but this does not address the issues of tax and funding. It is therefore suggested that there is **room to explore affording social enterprises the same tax benefits as charities and for more funding bodies to recognise and support social enterprises which are not charities** as legitimate applicants.

4. It has been noted that **the community right to buy legal provisions in Scotland are restrictive in that they require community groups to form themselves as CLGs**. This legal requirement may need to be revisited to make allowances for other legal forms such as companies limited by shares which enable share capital to be raised. Likewise, if any similar government programmes and/or legislation are adopted in England and Wales then the legal organisational form requirements for community groups must be considered in view of this discussion.
5. Related to this, it has also been suggested that since strong leadership is a key ingredient of success, it should be considered whether the establishment of a **social enterprise leadership training programme** by government is appropriate, in much the same way as the coalition government has committed to training 5,000 professional community organisers to help empower communities.
6. In respect specifically to training-based social enterprises, this study begs the question of whether **a more flexible approach to the funding of training programmes for specific groups in society** is required which does not specify so rigidly the groups to be prioritised. After all, when government priorities change, this can threaten the future of enterprises which are focused on one such group (e.g. under 18s or those with mental health problems).
7. If social and community enterprises are to be able to meet the expectations placed upon them within government policy it would also appear that there is a need to consider **changes to public commissioning and procurement processes** across the board, including within forestry. Such changes would be relevant to the Forestry Commission in many areas, including tendering processes for visitor centres and cafes, as well as for woodland management contracts and many other procured services. These changes would need to allow for the added value that social enterprises can supply to be taken account of and ensure that judgements about 'best value' include more than just economic considerations. The Public Services (Social Enterprise and Social Value) Private Member's Bill in England is proposing measures in line with these requirements but its adoption is not yet certain.



8. Similarly, it is suggested that consideration is given to the question of whether mechanisms can be invoked whereby **public sector asset owners do not base decisions relating to their acquisition** (freehold or leasehold) **purely on economic factors but also consider the social and environmental benefits that will be delivered**, much as is the case within the NFLS in Scotland.

3.2 Woodland sector

9. While many of the enterprises investigated in this study have undertaken some form of evaluation of the benefits that they produce and their economic, environmental and societal impact, for the most part these efforts are piecemeal. There is a need to develop and encourage use of a simple, non-resource intensive, standardised (yet flexible enough for use by different types of enterprise with different goals) **framework for the monitoring and evaluation** of woodland-related social enterprises. This would not only help in terms of adding richness to the debate and learning around what kinds of enterprises work and are most 'successful', but it could also help in terms of encouraging both greater political and financial support for woodland-related enterprises and demonstrating the woodland sector's contribution to government policy agendas such as 'Big Society' and community empowerment.
10. One of the fundamental challenges faced by woodland-related enterprises is a lack of available funding sources to support land purchase costs and/or set-up costs at the outset (although some interviewees also raised concerns about a lack of ongoing, medium-term funding). **New funding mechanisms** could be considered to help support woodland-related enterprises, perhaps through creating new dedicated streams within existing grant systems.
11. Another approach to helping overcome this challenge for some enterprises could be through the development of national schemes throughout Great Britain which **allow the public forest estate to be leased on a long-term basis for forest management purposes by communities**, in much the same way that the NFLS now allows in Scotland. This could potentially allow enterprises to borrow money against their asset (the woodland) without the need for them to raise capital to purchase it, and without having to release the woodland from public ownership. This would however require legislation changes in England and Wales and amendment to the Forestry Act 1967. Similar schemes to the NFLS in Scotland could also be considered in England and Wales in relation to woodland sales.
12. The findings of this study also imply that **the use of the public forest estate to support social enterprises needs to be given greater priority**. Essentially, greater consideration of, and support for alternative uses of the public forest estate is required within the Forestry Commission at all levels. Although there is

policy support across GB for the public forest estate to be used to support social and community enterprises, it would appear that this support does not always filter down to a local operational level. On the other hand, it would appear that supporting communities and social enterprises is not always prioritised at a local forest district level because of competing priorities imposed at the national level.

13. A linked suggestion was made by interviewees that the Forestry Commission could also do more to support woodcraft social enterprises through **providing affordable local timber sources** or providing them with free timber sources such as unwanted timber from windfall.
14. Experience gained through conducting this study also suggests that, ideally, any **future research into woodland-related community and social enterprises should have funding attached to it to support the participation of such groups** in the research and contribute something towards their time.