Social enterprise for community food projects:

A solution to the funding conundrum, or just another fashionable "magic bullet"?

A policy briefing paper
Introduction

Community food projects, set up to address food access issues in some of the poorest communities across the UK, struggle from year to year to survive. They often lurch from one grant to the next, with many projects disappearing as particular funding streams also come and go. Precious time and effort fuels the task of fund-raising, at the expense of valuable work supporting the most vulnerable members of society in obtaining a healthy diet. These projects can be an essential component in the fight against diet-related disease and health inequalities, yet they are often the first to suffer from reductions in grant funding.

This report draws on the responses of 70 food projects contacted during the research. It considers how appropriate it is for these community-based initiatives to utilise social enterprise methods, and to what extent they are already being taken up as an alternative to complete dependence on grant funding. The report also considers what help and advice can be offered to support and encourage the development of social enterprises to address the problems of food poverty.
"Social enterprise" is a buzz-term for an old idea: using business methods for community good, rather than for the benefit of shareholders. Social enterprises are businesses with social objectives, charging for services and using surplus funds to reinvest in the business or in the community. They can be successful in bringing employment to, and improving skills in disadvantaged communities, and have the potential to become “a key component in the process of modernising and reforming our public services”. To this end, the Government, along with various non-governmental organisations (NGOs), is committed to supporting the development of social enterprise through funding and loan schemes, and generally advocating the development of the social economy as a vital partner to the private sector.

However, whilst support for social enterprise is high on the government’s agenda, support for community food projects may be diminishing - with funding often precarious, short-term, and tied to varying grant provisions. The funding problem is partly because community food project are complex creatures, so they often do not fit easily into the categories defined by those institutions giving grants. Hard to define formally, they encompass a range of food-related initiatives operating in a given community. They may include food buying co-ops, cookery clubs, community allotments, slimming clubs, and community cafes. This research is primarily concerned with projects that increase access to healthy foods for those living on low incomes.

Given the continuing difficulty community food projects experience with obtaining grant funding, and the growing level of support for social enterprise, the Food Poverty Project wanted to investigate whether the time might be right for more community food projects to consider becoming social enterprises. In this way, they might achieve at least partial, if not full, financial independence from the endless fund-raising treadmill.

Food Poverty in the UK

Food Poverty is now well documented, and can be defined as “the inability to acquire or consume an adequate or sufficient quantity of food in socially acceptable ways, or the uncertainty that one will be able to do so”. What this means in reality is that an individual’s ability to obtain a healthy diet can be constrained by a variety of external factors: the cost and availability of food, personal income, the proximity and location of shops and their accessibility, availability of public transport. Food preparation can be difficult if people lack appropriate skills or confidence, cooking facilities are inadequate or time is limited. Poor food choices can also result from health problems, personal preferences and, particularly in the case of children, clever advertising.

The extent of food poverty in the UK is difficult to estimate. There has never been a comprehensive survey of nutrition and diet in low income households. However, large numbers of individuals across the UK are vulnerable to experiencing food poverty, due to their poor economic situation. Various organisations have undertaken extensive research in this area and conclude that households that live on a low income, whether from poor wages or dependency on benefits, are unlikely to be able to afford a healthy balanced diet over a sustained period. Such a situation is contributing to rising levels of obesity, and to continued high rates of premature death from coronary heart disease (CHD), cancers and other diet-related diseases across the UK.

Over the last ten years or so food poverty has been recognised as a public health issue worthy of a serious policy response, and Government has acknowledged this in a range of strategies, plans and reviews. The recent public health white paper and the subsequent food and health action plan highlighted community food projects as a mechanism for supporting and encouraging healthy food choices. However, many argue that such projects should be seen as only short-term solutions that should be set into a long-term framework of policy options to remove the structural barriers which cause food poverty.
The importance of community food projects

There is now almost universal agreement that community food projects, in principle, are a good thing. They have been promoted as one of the solutions to addressing food poverty and health inequalities among a range of measures put forward by the government in various strategies and plans, the majority of which fall under the brief of health agencies. However, the remit and potential benefits of community food projects are far wider than just a contribution to improved health.

The added value of community food projects is broad - extending beyond the simple provision of a healthy hot meal at a lunch club or a community café; or a supply of affordable fresh fruit and vegetables at a food co-op; or learning how to cook at a friendly supportive cookery class. The projects can provide training and skills (thereby improving employability), build capacity within the community, and combat social exclusion, all of which affect health in the broadest sense. In other words they can tick far more boxes than just ‘better nutrition’.

While diversity and an extended range of benefits contribute to the importance of community food projects, these strengths can also create potential limitations. Food projects often fall into no-man’s land - with no one department or agency taking responsibility for their support and development. Many of the funding sources potentially available to community food projects are restrictive. For example, funding available for coronary heart disease (CHD) prevention will probably have only one acceptable indicator of success i.e. a reduction in CHD incidence. However, CHD reduction may be only one of a large number of project objectives, and not one that can usually be demonstrated within the lifetime of a project.

No matter how successful community food projects are, many face constant frustration from having to chase a variety of funding sources that require a change of focus to suit a new pot of money every year, or having to provide a new element in order to show innovation. More often than not funding is only available for new projects, and for short periods of time, with core costs such as salaries and rent rarely covered as funders prefer to fund specific projects leading to specific results.

Consequently, much precious project time and effort is concentrated on the activities of acquiring funding, monitoring funding and showing how funding has been spent.

The question is, could that time and effort be better spent looking at other approaches to generating income to support project activity?

Wolverhampton Community Food Initiative delivers fresh fruit and vegetables to low income communities across the City with support from a Big Lottery grant. However the current funding is due to end in 2006 and project staff are exploring business plans for activities that could subsidise the project’s community food access work by generating income through securing supply contracts with local hospitals and schools.

Bath Place Community Venture, Leamington Spa, provides facilities, support and education for the local community, including a community café, a fruit and veg co-op and a credit union. Despite a good track record spanning 30 years, the centre has been under-funded for a number of years and, at time of writing, was facing a serious financial crisis. Perhaps a victim of its own success, Bath Place is finding it harder to obtain national funding. Many funders want innovative projects rather than continue to fund to older, less ‘exciting’ projects. Locally, Bath Place is competing with other health and regeneration projects receiving support from local statutory agencies. The project is now developing a business plan to explore market-driven activities to generate essential core income.
The social enterprise agenda

Social enterprises are businesses that operate in the market providing services and goods, the surplus profit from which is then re-invested to achieve social aims. Government is increasingly recognising the role social enterprise can play in the economy and how, with the right support, it can make an important contribution to the regeneration and social well-being of many communities in the UK. Its three-year strategy aims to tackle the barriers to growth of the social enterprise sector. The strategy is a key element of the Government’s policy of redirecting public spending to address inequality and deprivation through the support and development of social enterprise.

A variety of organisations have the task of implementing the strategy, and new bodies such as the Social Enterprise Coalition and the Social Enterprise Unit within the DTI, have also been set up specifically. Regional Development Agencies (RDAs) have also been identified to take responsibility for certain areas and are expected, as are local authorities, to have strategies to reflect this. Business Links are the national, mainstream support service for small and medium sized enterprise and come within the remit of RDAs. However, much of this support is serviced by regional and local agencies sub-contracted to provide Business Links services. Thus there is a multitude of national, regional and local statutory and non-statutory organisations and networks offering a host of support services for actual and potential social enterprises.

In addition, various funding opportunities exist to develop the social enterprise sector. The Phoenix Fund was set up in 1999 to encourage entrepreneurship in disadvantaged areas and has been widely used to support social enterprise. The recently launched Futurebuilders programme is a £125m Home Office investment fund run by a voluntary and community sector consortium which aims to increase the role of the voluntary and community sector in providing public services. There is also a range of commercial finance companies, banks, Community Development Finance Institutions, Trusts and Foundations that are increasingly supportive of social enterprise and offer loans, grants and investment opportunities.

Finally, there is a range of strategies relevant to community food projects that can offer opportunities to develop businesses, while at the same time complementing and supporting their social aims. The following are particularly pertinent.

Public procurement

The recent Treasury review of the voluntary and community sector’s role in public sector services, and the Department for Environment, Food and Rural Affairs Public Sector Food Procurement Initiative, both offer realistic opportunities for food projects to diversify their activities into selling food services to public sector institutions to generate income and supplement their core activities. Some projects are already working towards this.

Many other food networks and projects are exploring the potential to generate income through providing public sector food contracts. However these projects are the exception, not the rule, and are often doing this despite a lack of support, advice and practical guidance. For this potential to be realised the support and funding will have to be made available throughout the regions not just allocated to those in regeneration zones, as is currently the case.

Regeneration

Neighbourhood Renewal clearly captures many food poverty issues within its remit with its emphasis on addressing inequalities, increasing economic opportunities and encouraging employment and training. Support for social enterprise is a key part of this. Policy Action Team (PAT) 13 also produced a range of useful recommendations for improving people’s access to good quality shops. Unfortunately, since PAT 13’s report was published in 1999, the initiative has been moved to the Department for Transport, Local Government and the Regions (DTLR) and the recommendations appear not to have been acted upon.

So, against this background, can developing social enterprise activities provide an opportunity to address the long-term financial viability of community food projects?
The research

About the study

This report is based on the results of a questionnaire sent, via a range of food and social enterprise networks and databases, to over 900 food projects and related organisations. Background research on social enterprise and related current policy was undertaken through a combination of desk-based research and phone interviews with policy makers, support agencies and organisations, and community food projects. This included talking to a variety of food projects across England and Wales, ensuring a geographical spread and an urban/rural mix in order to assess general attitudes to, and current use of social enterprise methods.

From the 900 questionnaires distributed, 70 were returned (an 8% return rate). Responses were spread between rural, town, urban fringe, and inner city areas. Twenty-two respondents come from an inner city setting, 17 are based in towns, with the remaining 31 projects evenly mixed between rural areas and the urban fringe.

Summary of the results

- Of those that answered the question (six did not), 26 projects are run to some degree as social enterprises, and 33 not at all. Five projects are not currently, but are planning to become social enterprises.
- Projects serve a range of beneficiaries, most commonly young people, mums/families, people with health problems, and people with learning difficulties/disabilities. Those projects working to support people from deprived areas focus particularly on ethnic groups, the homeless, and the unemployed.
- The majority of the projects class themselves as voluntary sector bodies. However, a large number work as cross-sectoral partnerships. A small number are community co-ops or community businesses.
- Charity, company and partnerships are the most common structures. Some are located within a statutory agency such as the Primary Care Trust.
- Although almost every project has at least one paid employee, the majority rely on some volunteer support (some quite heavily). The majority of the responding projects have just a few employees; some have as many as 30 volunteers.
- Of those projects operating as social enterprises, 10 generate less than 10% of their income though selling goods/services. Six respondents reported 10-25% of their income from trading activities, six reported 25-50%, and one reported more than 50%. (Three did not respond to this question).
- In all cases money made through income-generation is still supplemented by funding - mainly from trusts and statutory agencies.

Most projects operating in some capacity as social enterprises are still at the planning/transitional stage. For these, income generating activities are mainly limited to using existing facilities such as room hire. Projects set up specifically as social enterprises generate the highest proportion of their income through trading.

- Of those 26 projects operating as social enterprises: 11 received no advice, 11 had received advice, and four did not respond. The advice came from a variety of sources: statutory business advice services, local and national voluntary sector organisations, legal services agencies. Only two projects received advice from an organisation with specific food expertise. Advice was often biased towards particular business models, and not geared to support the needs of food projects.
- It was too early for half of the respondents to say whether being a social enterprise was successful in providing financial security. However, the other half clearly felt the benefit both financially and culturally: *it gives a sense of pride*  
  *it enables the project to focus on additional work*  
  *it is becoming successful- learning more as we go*
- For transitional projects the key barriers to success are: lack of skills within the existing staff and management, poor availability of start-up/transition funding, and a lack of appropriate support and advice.
- Respondents identified the most useful support and advice as: support via phone or drop-in on an ad hoc basis, project visits, low cost or free training, advice on funding, advice on how to win contracts, how to work within a statutory sector framework with business principles, staff development, and legal and structural issues.

Limitations

Community food projects that are more interested in and/or know about social enterprise were perhaps more likely to complete the questionnaire and so therefore the findings may show a slight bias towards social enterprise.
Community food projects - opportunity or another dead end?

Although there is some awareness of the opportunities presented by adopting a social enterprise model amongst food projects, there is still limited take up of the idea. Barriers to creating social enterprise still exist, despite Government efforts to address them, and for food projects struggling on limited funding, finding the time to consider the options is difficult. It takes a lot of hard work for community food projects to overcome barriers to becoming social enterprises - these barriers seem equal to, if not greater than the current ones with existing sources of funding, so the motivation to explore this option is low.

The research identified four categories of organisations:
- **start up**: a new project operating as social enterprise from the outset;
- **transitional**: moving from grant-based funding to income generation through trading;
- **hybrid**: part trading, part grant funded; and
- **fully fledged social enterprise**: minimal reliance on grant funding.

Community Food Enterprise Limited was set up in 2002 as a social enterprise to provide financial sustainability for food projects in Newham. The project sells and distributes fresh fruit and vegetables and other staples through a variety of outlets at affordable prices. CFE was developed as a social business with the particular aim that trading would eventually be the main source of income, thereby providing a community-led mechanism for improving food access which was not reliant on statutory funding. In 2003-4, 52% of CFE's total income was generated from trading activities.

Currently the majority of projects contacted are transitional, but those that seem the most successful are the new start-up social enterprises which have already determined the viability of this route before starting out.

Becoming a social enterprise and beginning to think about generating income through trading activities is, for a large number of community food projects, a huge shift in the way they have been doing things. Concerns about expanding from a purely socially motivated project to encompass profit making principles alongside social aims cannot be underestimated. There is a very negative perception among some community projects about making a 'profit' from those who can least afford to pay - and many projects are fundamentally opposed to the idea of charging for their services on ethical grounds. This cultural resistance to becoming social businesses, coupled with a lack of awareness and understanding of the relevance of social enterprise methods, frequently results in many food projects not giving any consideration at all to social enterprise.

Moreover, most community food projects are successful because of the motivation and dynamism of particular people within the organisation (as is true with the voluntary sector in general). Success as a trading organisation is therefore often contingent on these key people being open to and aware of the social enterprise approach, and having the appropriate skills and knowledge to pursue the idea.

Community food projects often do what they are currently doing extremely well and there is a danger that, for some, any changes to the way they operate will damage the success they may have achieved over several years. For some projects, adopting social enterprise methods may simply not be a good idea.
Regional Development Agencies: Our research suggests that the majority of community food projects developing as social enterprises are doing it largely in spite of, not because of RDAs. The RDAs are inevitably focused on the government’s structural agenda; promoting business, exports, buildings, and increased competitiveness. They are not designed to provide services at a local level. As such, they cannot be expected to have the internal expertise or sufficient funding to address the barriers local community food projects face.

Business Links (BLs): These bodies were set up to, among other things, support socially excluded communities wanting to start social enterprises. Social enterprise must be written into their business plans, but they often do not have the skills and experience in-house to provide this kind of support. Many BLs therefore sub-contract social enterprise development work to specialist agencies such as Co-operative Development Agencies and other social enterprise agencies. The majority of these agencies have little experience or knowledge of the needs of community food projects, so what they can offer is patchy. Many of these agencies, organisations and contractors have limited funding so use mainstream business networks and models to advertise and promote services, thereby often missing community food project networks altogether.

Local Authorities: Here again, support for and commitment to social enterprise is patchy. Where support does exist, it is mainly geared towards the development of more formally established small to medium sized businesses rather than less formulaic and often highly individualised community projects. As with the Business Links local authorities tend to collaborate on or sub-contract their social enterprise development work to other agencies (specialising in business support and development). Some local authorities have developed in-house practical support, although this largely depends on how well the social enterprise agenda is supported within the authority and other prevailing local economic development factors. This situation is indicative of a lack of awareness and understanding of the wide range of benefits offered by community food projects, and of how the local authority could utilise those benefits to achieve their own cross-departmental targets.

The Health Sector: One of the major barriers for developing effective and appropriate policies to support community food projects is that they do not sit easily within any one policy area. Because they address a range of issues e.g. poor health, social exclusion, and poverty, it is easy for statutory agencies to shift responsibility to different agencies. This research reconfirms evidence that, although the majority of support for community food projects falls within the health sector, it is not necessarily the best sector to lead on support for their development as social enterprises. Predictably, staff in the health sector charged with supporting community food projects often have little or no experience and skills in social enterprise. However this is not to suggest that health sector agencies should abdicate responsibility for supporting food projects, rather that other agencies should collaborate with the health sector, each bringing their own particular areas of expertise to bear to support the long term financial sustainability of projects.
There are a number of non-statutory agencies supporting the development of social enterprises. National agencies tend to campaign for greater support for social enterprises at policy level and/or are involved in running pilot projects to inform policy. There are also networks that enable and facilitate the sharing of experience and knowledge between members. However this support is only really accessible to those projects already in the network, and food projects starting to consider the social enterprise route may fall outside of this.

In addition, many of the social enterprise network organisations have limited capacity to support and advise non-member projects and organisations. This means projects at the beginning of their exploration of different ways to generate income have limited access to these organisations. Thus, as with statutory agencies, support for community food projects, and particularly those that address poor food access, is limited and sporadic.

The main objective for these organisations is to promote the development of social enterprise across all sectors, so expertise in community food projects is often determined by staff interests rather than a coherent policy. However this study found there are pockets of good structural approaches to support and development work. Some regional and local social enterprise organisations are working in partnership with local and regional food policy organisations to develop a range of support services focusing on the needs of community food projects.

**Wessex Reinvestment Trust**

In 2001, following a report on obtaining finance, produced by Salford University, organisations and agencies working in food, environment and social enterprise in the southwest of England developed the Wessex Reinvestment Trust. It aims to support the financial development of community business in the food and environment sector across the region. The Trust was set up to help rural communities become more sustainable by facilitating access to land, buildings, and finance through giving loans and advice. It is governed by people from a large number of different organisations, working in local food development, sustainable building and business, and social housing. Wessex Reinvestment Trust now works with local government, banks, business links, the Countryside Agency and charitable trusts to provide support to the sector.
Recommendations

- Understandably, statutory agencies seem to have difficulties and limitations in coping with the needs of community food projects. Local authority structures vary widely, as does their commitment to supporting the development of social enterprises. **Government should therefore consider whether other bodies could be funded to offer social enterprise assistance to community food projects.** Several national organisations already exist, including Food Links UK, the Foundation for Local Food Initiatives, the Soil Association and, of course, Sustain’s Food Poverty Project, alongside a host of regional and local food partnerships and networks. These organisations are well placed to work in collaboration with existing business support agencies to co-ordinate the provision of specialist social enterprise advice and guidance. With adequate funding they could, for example:
  - offer start-up funding for community food projects interested in becoming social enterprises,
  - offer advice on how projects could tender for local public food procurement contracts, for example, for school meals or hospital food.

- Government needs to incorporate more flexibility and autonomy into the service contracts of agencies such as Business Links and local authorities. **This would allow their support services to reflect better the local needs of community food projects, and enable local agencies to take a liberal interpretation of contracts and support smaller, less formal initiatives.**

- **Public and private sector grant funders should develop funding policies that can accommodate a range of different financial models.** Some funding regimes impede the ability of social enterprises to obtain funding by, for example, prohibiting income generating activities, or requiring equity.

- Non statutory network organisations specialising in social enterprise, such as the Social Enterprise Coalition and Co-operatives UK, could help to **raise awareness amongst policy makers of the diverse benefits community food projects can bring to the social economy.** At the same time, the Food Poverty Project, and other similar networks, should bring to policy makers’ attention the multiple benefits of the social enterprise approach to local food strategies.

- However, social enterprise methods are clearly not an option for all community food projects. **Government needs to acknowledge that long-term grants for some community food projects will continue to be essential, and establish mechanisms for providing this.** While, innovation is important, so too is consistency. This may mean that some projects cease to be projects, and are integrated into mainstream local authority or health services. For other projects, the element of independence is vital to their success; so funding will need to remain at arms length. Either way, the precariousness of short-term funding can be very damaging to all the community members involved in a project.
Conclusion

- Community food projects are an important way of tackling health inequalities and poor food access. They are often under funded, but are expected to meet important government health targets, and have been identified as one of the main mechanisms for improving access to fruit and vegetables in Government’s public health strategy. However, unless more funding is provided to support this work, the current approach will almost certainly lead to more and more community food projects chasing a static or shrinking amount of money.

- There is currently a great deal of hype around social enterprise as a means of addressing a variety of issues, including public sector procurement, social exclusion, regeneration and health inequalities. In theory social enterprise offers great potential for some community food projects. From the snapshot provided by our research, this potential is not yet being met - not by a long stretch.

- The social enterprise strategy objectives are clear and should go some way to tackle the barriers to growth of the sector. However the necessary support services do not seem to be provided in any consistent way. If the government is committed to the development of social enterprise, per se, rather than (as some suspect) a means of providing public sector services on the cheap, then substantial moves will have to be made to develop appropriate support structures and mechanisms. Funding regimes will have to adapt to accommodate the needs of food projects in transition, and the current lack of understanding and awareness, at policy level, of the status and needs of community food projects will have to be addressed.

References

1 Patricia Hewitt, quoted in Social Enterprise: A strategy for success, Department of Trade and Industry, 2002


5 The Food Standards Agency is funding a dietary survey of low income groups. Results are due in 2006. Check www.food.gov.uk for updates.


9 For example, the School Fruit and Vegetable Scheme, National Five a Day Programme, reform of the Welfare Food Scheme (Healthy Start), and the Food in Schools programme. See www.dh.gov.uk for more details.


12 For more information about DEFRA’s Public Sector Food Procurement Initiative (launched 2003) see www.defra.gov.uk/farm/sustain/procurement/index.htm


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Further information

This policy paper forms part of a larger project which includes a web based tool-kit to assist community food projects in adopting social enterprise methods. For further information visit www.sauce-toolkit.org

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