



Social enterprise is the business: creating new markets in London

Transcript of a speech by Phil Hope MP, Minister for the Third Sector, to the Social Enterprise London conference, 9 October 2007

Thank you very much Manny [Lewis, Chief Executive of the London Development Agency] for that introduction. I've still got the bruises from some of those jobs.

I'm delighted to be here. I have to say Sophi [Tranchell, Chief Executive of Divine Chocolate] is possibly a hard act to follow. I hope I can do my bit here today to help social enterprise to grow and prosper. And quite clearly the Government is going to be announcing its PSA [Public Service Agreement] targets, and today we've got a new one: every member of the government has to eat 16kg of chocolate. Who knows what we're going to do with it all.

I don't think I have to convince many of the people here of the value of social enterprise. Just looking at the participants' list it reads like a *Who's Who* of social enterprise in London; an audience of people who understand and are fully committed to this.

I hope that we'd all agree that social enterprise is a dynamic force – we've just seen one talking to us [Sophi Tranchell spoke before Phil Hope] – that's finding real practical solutions I have to say for some really tough social issues – Manny you mentioned it in your remarks – dealing with issues around crime, around unemployment, around homelessness, and of course climate change. And looking at what can we do as a community in a socially enterprising way.

I think we'd all agree that social enterprise is quite unique really in the way that it can reach out to people and communities that often the Government

finds it very hard to reach, and can work with people in a way that then enables them as individuals, maybe as families, to make use, make better use of public services that they couldn't make use of before.

I think we'd all agree that the most successful social entrepreneurs are finding really creative ways to run their businesses in a sustainable and in a professional way. Helping them to not only to grow but also to innovate, and of course ultimately give a better service to their customers. I just think, Sophi, you are a great example of the kind of social entrepreneur that we want to see many, many more of.

So today, rather than preaching the values and virtues of social enterprise to what I see as an already converted audience, I want to use this opportunity today to spell out what government is already doing to help social enterprises thrive. And I also want to look at some of the initiatives we're working towards in the future.

Now I do want to assure you, if you didn't know already, that this government takes social enterprise very seriously. I hope the existence of this job itself; we're the only country in the world with a Minister for the Third Sector embracing social enterprise in this way, although I understand Australia might be going down this route in the future.

And in the Social Enterprise Action Plan that we published last year we set out our strategy to help social enterprises prosper.

And in that plan we identified four key things we want to do. Firstly, to foster a culture of social enterprise. Then to ensure we have the right information and advice are available to those who running social enterprises. To ensure social enterprises have access to the right finance; and make it easier for social enterprises to win business from government

That was the plan.

So, what we have been doing about it?

Well, we've made progress on a lot of different fronts. But this morning I want to concentrate first on three initiatives that we see are starting to bear fruit.

The first initiative is the creation of what we're calling 'social enterprise ambassadors'. They'll play a key role in achieving our aim of fostering this culture of social enterprise.

They'll do that by acting as high-profile role models and by working to raise awareness of social enterprise.

Not nearly enough people know about this movement. Too many people still look blank when you use the phrase 'social enterprise'. Not enough people know what it is.

But when you explain, when you tell them some of the great success stories, you see people's eyes lighting up. Why don't I know about this? Where can I find out more? How can I get involved?

Our social enterprise ambassadors will be enthusiasts from the frontline – with a strong track record in the sector, and with the communication skills to tell some of those great stories about how social enterprises do generally change people's lives.

We want them to build awareness of the sector among key groups, and also to attract new entrants to the movement.

We want them to use their personal stories to encourage people – particularly young people and people looking for a career change – to think about social enterprise as a viable career option.

We know that one of the things restricting the growth of the movement is simple lack of knowledge – about the type of businesses that succeed, about

what it's like to work in a social enterprise, about how to go about setting one up.

Our ambassadors can bring their real life experience to play in starting to fill in those blanks.

We've been recruiting the Social Enterprise Ambassadors over the summer and we've been overwhelmed by the excellent quality of the applicants.

We're announcing the names next week so I can't say any more just now.

But I'm confident that they'll form a powerful new voice making the case for social enterprise up and down the country.

They'll work alongside some big names we've already signed up to help promote the cause.

They include:

- John Bird from Big Issue
- Penny Newman from Cafédirect
- Tim Smit from the Eden Project
- Monty Don, the television gardener and social entrepreneur
- Lord Victor Adebowale from Turning Point
- Tim Campbell from the Bright Ideas Trust
- and Liam Black from Jamie Oliver's Fifteen Foundation

Serious people, committed to fostering a thriving social enterprise culture.

The next area where I can report progress today is ensuring that social enterprises have access to the best information and advice.

We know that, while many of the challenges facing social enterprises are the same as those facing any business, there are important differences.

The social enterprise commitment to the 'double bottom-line' of financial and social performance means that some of the problems they face are specific to the sector – and therefore calls for support which recognises this.

We know, too, that performance in providing this support is patchy – OK in some parts of the country, not so good in others.

So what we've done is to work with Regional Development Agencies - RDAs - to improve support for social enterprises.

Earlier this year we asked all RDAs in their region to come up with practical ways to improve the support offered to social enterprises by Business Link, the government advice service for small businesses.

As you know, Business Link provides a wide range of general business information – plus more intensive support, including the diagnosis of specific problems and a brokerage service putting businesses in touch with expert outside support.

We offered RDAs nearly £6 million to use in providing support for social enterprises, and we made the funding flexible so that it could be used in the most appropriate ways to meet regional needs.

The RDAs came up wide-ranging proposals. We've given the necessary approvals. And the RDAs are now starting to put their plans into action.

You have already heard Manny talk about the London Development Agency's programme which was developed in close consultation with Social Enterprise London.

We are confident that the programmes developed by the other RDAs are equally ambitious and will significantly improve business support to social enterprises.

One of the valuable spin-offs from us asking RDAs to come up with proposals to support social enterprise is that it's really concentrated minds and accelerated the process of building the profile of social enterprise within the RDAs.

Social enterprise is now squarely on the RDA radar, and it's what I'll be raising with them as Minister when I meet the chairs of the RDAs.

So far I've talked about our efforts to foster a culture of social enterprise; and about our moves to ensure the right information and advice are available to those running social enterprise.

The third area I'd like to discuss is what we're doing to make it easier for social enterprises to win government contracts.

Government understands the potential social enterprises can have in helping us transform the delivery of public services. I was in Leeds recently and was impressed by their approach to using social enterprises to help deliver better public services called 'Keeping House'.

The Local Authority has a dedicated team to engage with the local community based social enterprises providing services which can help older people stay in their own homes for longer, for example gardening, shopping and cleaning.

This has a double impact of improving the quality of life for older people and reducing the cost of adult social care in the local authority.

So we need to find ways to help social enterprise work with government. I'd like to talk about the business of social clauses in public sector contracts and what the government is doing to break down the barriers that stand in the way of them being used more widely.

As you know, social clauses are ways of specifying specific social outcomes in contracts.

For example – a contract for a local authority construction project could specify that one of the outcomes should be the provision of training and jobs for the long-term unemployed in the local community.

So, social clauses are a golden opportunity for social enterprises.

Social enterprises are, by definition, already in the business of adding social value through their business activities.

Therefore they should be ahead of the game in being able to bid successfully in open competition for contracts that include social clauses.

I stress 'open competition', by the way.

So, social clauses aren't a way of privileging social enterprises in public sector tendering.

All kinds of enterprises, social or otherwise, are free to bid for public contracts and the government is committed to providing a level playing field on which they can compete openly and transparently.

But since social clauses play to social enterprises' strengths, the spread of social clauses will clearly open up opportunities for social enterprises.

However, I know, there are problems for commissioners thinking about whether or not to use social clauses.

They're still quite a new idea, so I think there's a straightforward lack of knowledge. Commissioners in the public sector don't know about them. Commissioners also want reassurance they are not setting foot into a legal minefield. And they want to know how they can measure the added social value they're specifying. We do need a robust evidence base.

Concerns such as these are barriers to the more widespread use of social clauses.

The government is committed to tackling these barriers – for example by promoting the development of guidance and case studies for social clauses, and by working with commissioners already pioneering the use of social clauses to learn from their practical experience and to build up knowledge of best practice.

As part of that process, we commissioned a big survey from North East Centre of Excellence on the use of social clauses in public procurement contracts.

The survey closed a few days ago and early findings indicate this will provide a really useful insight into the practical issues in implementing social clauses. We plan to use the findings to develop guidance for local authorities on using social clauses and are currently in discussion with local authorities about the best way to do this.

The idea is to run a pilot study in a number of local authorities. It's likely to focus on the use of social clauses in contracts for recycling services. Out of this we hope will come template clauses and guidance on how to use them.

So, as you can see, on these three fronts - fostering a culture of social enterprise; ensuring the right information and advice are available to those

running social enterprise; and tackling the barriers to social enterprises winning business from government – on these three fronts we are making good progress.

But, of course – I know, it's my job description – there is much more to do to create the proper environment in which social enterprise can grow and prosper.

I'd like to end by looking to the future.

In particular I'd like to sketch out some of work that's in hand in the key area of finance.

The government is committed to enabling social enterprises to access appropriate finance.

So I've got four areas where I hope we're living up to that commitment:

First, we want to use a proportion of unclaimed assets to boost social investment.

As you may know, the consultation on the distribution of unclaimed assets has just finished. The government believes there is a strong case for using some of these assets to develop the social investment market.

There are issues we need to work through – including clarifying any state aid implications – but we want to see some of these assets used to support social investment in third sector organisations in England by strengthening existing finance providers.

That's the first idea.

The second idea is about the possibility of establishing a mechanism that replicates the stock exchange for social and environmentally driven

businesses. That allows these businesses to trade shares. A kind of social stock exchange.

This would provide a means for social enterprises seeking funds beyond bank borrowings or early stage investment to raise capital by issuing shares.

It would also provide investors who are seeking a blended social and financial return with an equity market in which they could make and trade investments.

I think that's a really interesting idea, and we're exploring it with social entrepreneurs and with the financial sector to see if there really is an appetite for a social stock exchange – and if there is, what has to be done to make it happen.

Raising finance is an issue for all enterprises. But I know that – because you tell me – social enterprises find it particularly hard to access risk capital at the critical stage between start-up and growing their business on.

To help break that log-jam, our third idea is to create a risk capital fund of up to £10 million earmarked for social enterprise.

We committed to that in last year's Social Enterprise Action Plan and we've now published proposals for our £10 million to be matched by a further £10 million from the private and independent sectors.

We're consulting on those proposals – the consultation closes early next month – 2 November – so get your responses in soon; we're keen to know your views.

Our fourth idea is to invest in two social investment pilot schemes. These will be aimed at deepening our understanding of how to increase the range of finance available for social enterprise.

Charity Bank and the advisory firm Investing for Good are taking forward work on behalf of the Office of the Third Sector with a project in Yorkshire and Humberside looking at matching social enterprises and charities with potential investors.

So, in conclusion, I want to applaud the work being done here today on creating new social enterprise markets in London.

As Manny said, with the Olympics on the horizon, it's clearly an exciting time, with many new opportunities opening up. I want as many social enterprises as possible to exploit those opportunities to the full.

Government cannot create social enterprises.

But what we can do is create the conditions in which social enterprise can grow and prosper.

In our Social Enterprise Action Plan, we laid the foundations for our programme of support for the sector.

We're now moving forward on detailed implementation in the areas of fostering a culture of social enterprise; ensuring the right information and advice are available to those running social enterprises; making it easier for social enterprises to win public contracts; and enabling social enterprises to access the right finance.

There's a great deal still to do. But I think we've made a good start.

Thank you for listening.

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