

Brussels Speech (Word Count 2600 – 17 minutes)

Introduction

The history of all our countries is marked by key moments, when extraordinary individuals challenged the status quo, and helped us to reimagine how things could and should be.

In the world of enterprise, just think, the enormous influence of the giants like Henry Ford and most recently the extraordinary Steve Jobs of Apple – men who shook and reshaped their industries.

The movement of social enterprise also has its giants and we have been lucky enough to hear from one today. In Grameen Bank, Muhammad Yunus has reversed conventional banking wisdom and been the catalyst for a revolutionary micro-credit system which has successfully enabled millions of people to lift themselves out of poverty.

My premise today is that in Europe we have reached just such a moment.

When both Government and traditional business need to open up to the change makers, the risk takers, people who have the vision to say “we can do better” and the drive to make new business models a force for improving people’s lives.

In Britain the process is underway and the relationship between the citizen and State is about to change profoundly.

It has to, the challenges we face are too great to continue with the myth that Government has all the answers. So we are busy transferring power to the people we serve in the most radical way that I have seen in my lifetime.

We are opening up new waves of opportunity for people to apply their talents and experience in positive ways, working together, at the local level, to find community led solutions to the problems they see.

Whether they are a 16 year old taking part in our new National Citizen Service programme, or a group of parents wanting to set up their own new free school, or someone recently retired from business who wants to use the skills and experience built up over a lifetime to unlock the potential of a charity or social enterprise to help more people

And as part of this vision for a bigger, stronger society we know that we must do more to support our social entrepreneurs – the people who can challenge us to find better ways of delivering public services and tackle the key social challenges of the age

If they succeed they will help us to allocate scarce resources more efficiently and they will also encourage others to think “I too can see an opportunity. I too can make a difference”.

Purpose

My purpose today is two fold;

To explain what we are doing in Britain to support our social entrepreneurs, and, to congratulate the Commission on the

Social Business Initiative. We support it in principle and we want to help develop it to the most positive conclusion.

However that pledge of support comes with a challenge – as I will explain.

First, let me explain our approach;

Social Enterprise in Britain

We start from a healthy base in Britain, not least with the proud history of our cooperative movement. There are around 68,000 social enterprises in the UK, contributing over £24bn to the economy, employing approximately 800,000 people¹.

They are proving to be relatively resilient in this economic downturn. Organisations such as Create who were set up in Leeds four years ago to create innovative training and employment opportunities for people who have been homeless. They now run three separate businesses and turnover was up 68% last year.

Or Blue Sky the only company in Britain where you have to have a criminal record to work. Over the last 6 years they have employed over 500 ex-offenders and are well on their way to achieving national coverage through franchising.

Or Cool 2 care, a company set up to support families with disabled children by linking them with care workers. Turnover grew 343% this year and they have clear plans to double revenues in the next five years.

¹ 2005-2007 data from the Annual Survey of Small Business UK

These brilliant organisations have a small eco system of specialist intermediaries and infrastructure bodies that exist to support social enterprises.

The movement also benefits from clear cross party political consensus on the value of social enterprise and a desire to help this market grow.

So we start with a healthy base but we are ambitious to do so much more. We don't just want more social enterprises or bigger social enterprises, we want to unlock the entrepreneurial energy inside the public sector and see 1 million public sector employees working within mutuals and social enterprises by 2015.

And we want to help mainstream the values of social enterprise, challenging all businesses to think harder about their social responsibility.

We see three main roles for Government;

New market opportunities

First we can create new market opportunities. In Britain we are going through a radical process of public service reform designed to give our citizens more control over how public services are shaped and delivered

We want to open up our public service markets and encourage a more diverse range of providers to compete for public services on a level playing field.

Explicitly, we want to make it easier for charities and social enterprises to participate in delivering front line services. They only account for around 2% of service delivery and there is a big opportunity to grow that share.

This will not be straightforward. It requires a culture change among commissioners and raises tough questions about the capacity of social enterprises to deliver. It also requires questions about how we can simplify procurement regulation and state aid.

But already we are seeing progress.

We have launched a radical new work programme, designed to support people back into work. It is structured on a payment by results basis and around 300 charities and social enterprises are in the supply chain, set to potentially earn £100m a year over the seven year life of the contracts.

In one of our prisons, a group of charities and social enterprises are working under contract to keep ex-offenders out of jail - again on a payment by results model.

Their working capital requirements are being delivered by private capital through a social impact bond – a new instrument that allows social investors to invest in, and benefit financially from, improved social outcomes.

This Social impact Bond was the first of its kind in the world. It is now being followed by several more

We are serious about working to see the start of big change inside our National Health Service which this year will absorb some £106bn of investment from the tax payer. Just last week it was announced that an organisation co-owned and co-run by front-line staff, will take over the running of a major hospital. The organisation is called Circle: it now runs 2 hospitals and they have seen genuinely impressive rises in productivity as a result of giving their employees a substantial stake and voice in the business.

We also want to encourage public sector staff to set up public service mutuals and take over the services they deliver, freeing them from the bureaucracy that gets in the way.

To date more than 50 groups of entrepreneurial staff have taken up the new rights to take over the services they provide. Fledgling mutuals will require our help and support.

That's why we are launching the Mutuals Support Programme. This £10m programme will provide advice, guidance and assistance through a website, a helpline and personal tailored support.

So Government can be a game-changer in creating new opportunities for social enterprises to win contracts and new businesses, grow and challenge the status quo.

Make life simpler

The second role for Government, it is about making life simple. We can also make it much easier to set up and run a social enterprise

Believe it or not Britain currently has 21,000 statutory guidelines for business to adhere to. That is too many and we must change our attitude to bureaucracy and free up our entrepreneurs to focus on what they are really good at.

So as part of a rolling process called the *Red Tape Challenge* we are looking at ways that we can reduce the regulatory burden in every industry sector.

There is more we can do to make life easier for social enterprises.

In Britain for example we want to help establish a more common currency around social impact. We believe that money, be it public or private, will be more demanding about measuring social impact. It is in no ones interest for there to be lots of different metrics and methodologies in circulation – an example I am aware of is a free bus service for elderly people in London being asked to produce 3 separate sets of impact measurements as evidence for their 3 core funders.

So we are working with a range of partners to establish more standardised metrics so that investors, commissioners and social enterprises can access more consistent, accessible and credible data. This is a problem which crosses national boundaries and may require cross-border partnerships.

We can also make it easier to access really valuable advice and support.

We are beginning to tap the huge potential that exists to make better connections between social enterprises and the skills and resources in the traditional business sector. When these connections are made the value can flow two ways because traditional businesses have a great deal to learn from social enterprises.

So for example we are working with an organisation called Business in the Community to encourage some of the biggest businesses in Britain to second some of their best staff into a new community role, called “Business Connectors”. Their job is to find out what local communities and social enterprises need, and then connect them with the support that local businesses can offer.

In a town called Redcar in Northern England this led to five new social enterprises being incubated in an empty shop. This is a win/win for all concerned. An empty shop gets used, new businesses are born and old businesses get fresh insights into what their community needs.

Last but not least; **Making it easier to access capital**

We have to make it easier for social entrepreneurs to access capital. In Britain it is fair to say that our traditional financial institutions are not connected with what we can call the social economy, even though the people whose money they manage often care deeply about the social challenges that the country faces, and would like to be part of the solution

At the moment these are two worlds which speak a different language and do not understand each other. We want to be the

catalyst for creating a bridge between traditional capital markets and the social sector. The mission is to grow a new market, called social investment, money that is prepared to blend financial return and social impact.

It is a small embryonic market in the UK, estimated at around £160m, but it is real. It is currently being developed by a fragile base of specialist intermediaries who are supporting social entrepreneurs with finance and advice, helping to build a track record of deals that prove a very powerful proposition that you can invest for good, that you can invest in social finance products and have a good chance of making a positive financial return. If we can prove this proposition then we will move serious money into the social economy.

And the opportunity is huge if we can establish a new asset class, whether you call it social investment or impact investing. UK charitable investment and endowment assets alone account for nearly £95bn. If just 5% of these assets were attracted to social investment, that would unlock around £5bn of new finance capacity and that is before you start thinking about pension funds and retail savings.

There is growing interest around the world in this opportunity, and we in Europe have the chance to be the leader. I am delighted that the Social Business Initiative includes plans for a €50m European investment Fund that would invest into social enterprises through social intermediaries. This investment fund is similar to the independent social investment fund that we are establishing.

We call it Big Society Capital and it will be financed from two separate sources. Approximately £400m from UK Dormant Bank accounts – money that has been sitting unused in peoples bank accounts for more than 15 years - and £200m of permanent capital from the 4 largest banks in the UK.

The process is well underway. We are currently seeking EU state aid exemption and we hope for the process to be successfully completed in the New Year. Alongside that we are also seeking clearance from our financial regulator, the FSA. Whilst these processes are ongoing we have set up an interim investment fund that has already announced its first million pound investment.

Once all these stages are completed we expect this new social investment company to have around £600m of equity which, like the European Investment Fund, will be invested in intermediaries who will then inject finance into front line Social Enterprises.

Big Society Capital will not make grants, it will always invest with a view to being self sustaining. It will never invest alone because its mission is to encourage others to invest. And we expect the £600m to be leveraged at least 4 times with co-investment from other sources.

There is no shortage of interest from investors. The banking sector is also recognising this opportunity, last week Deutsch bank announced a £10m investment fund that would operate in the social investment market.

Big Society Capital's real success will be reliant on the social enterprise market providing intermediaries with investable propositions, and that is a challenge. The Government has recognised this and is putting together a £10m Fund that will allow ambitious social enterprises to access bespoke technical support to help them become more investment ready.

Through these interventions, we expect to help build this bridge between the traditional capital markets and our social economy. As a result, our social entrepreneurs will find it easier to access capital and our savers will have more opportunities to be part of the solution to the challenges we face.

Conclusion

This is where we have got to in Britain; we have made progress but know that we are at the start of a journey. We are delighted that the Commission appears to share our view on the importance of social enterprise and the need to support this very positive evolution of our economic model in Europe.

The Social Business Initiative is well timed.

It goes with the grain of what people are thinking.

Many of my constituents want to associate business with more than greed and selfishness, many investors are becoming more selective about the companies in which they invest and technology is making it much easier to share information about problems and mobilise people to be part of the solution. So this feels like the right initiative at the right time.

In congratulating the Commission, my challenge is a simple one, and I have to be frank.

In the UK European initiatives are often associated with unwelcome bureaucracy and regulation that gets in the way of innovation and leadership, rather than encouraging it. I challenge the architects of the Social Business Initiative to confound the sceptics and come forward with final proposals that are simple, light touch and motivated by one question only “What can we do to make life easier for our social entrepreneurs?”

If that question is the guiding light of this mission then Britain stands ready to play a full and positive role in making sure that this initiative really makes a difference to the heroes in our communities who are battling for change and the chance to improve other people lives.

They are our allies in these very challenging times and they need to know that we are on their side.