

## **NEW STATESMAN ROUNDTABLE DISCUSSION: COMPLETE TRANSCRIPT**

### Attendees

Chair: **Andrea Westall**, Deputy Director, New Economics Foundation

**Douglas Alexander MP**, Minister for Social Enterprise, DTI

**Liam Black**, Chief Executive, Furniture Resource Centre

**Jonathan Bland**, Director, Social Enterprise London

**Leslie Budd**, Reader in Social Enterprise, Open University Business School

**Joe Docherty**, Director of Barclays Bank's Urban and Regional Economic Development Unit

**Stephen Harpin**, CEO, [www.youreable.com](http://www.youreable.com)

**David Irwin**, Economic Development Consultant

**Andy Jesson**, Corporate Manager, Unity Trust Bank plc

**Patrick Law**, Director of Public Affairs, Centrica

**Tom McNally**, Deputy Leader of the Liberal Democrats, House of Lords

**Rita Patel**, Board Member, East Midlands Development Agency

**Barbara Phillips**, Director, Social Enterprise Unit, DTI

**Mark Sesnan**, Chief Executive, Greenwich Leisure Ltd.

**Ray Sheath**, Managing Director, The Scarman Trust

**James Smith**, Director, School for Social Entrepreneurs

**Shaun Spiers**, Chief Executive, ABCUL

**David Willetts**, MP for Havant, Shadow Secretary for Work and Pensions

**Matthew Young**, Director, Adam Smith Institute

**ANDREA WESTALL:** Are we ready to start? A huge welcome to everybody on this roundtable organised by The New Statesman and sponsored by Centrica. It is very much part of the Upstarts Awards and for those who don't know what the Upstarts Awards are, they are about highlighting and rewarding those individuals who have got passion, vision and commitment to social enterprise and to social

entrepreneurship. This is very much part of that series of events and it is designed to be very much a free ranging discussion over a variety of topics, both practical and political, which are affecting social entrepreneurs and social enterprises. We are going to be joined by the Minister for Small Firms and e-commerce, Douglas Alexander, at about 12 o'clock. I am going to pass over to Patrick Law from Centrica to say a few more words about the Awards. Patrick

**PATRICK LAW:** Thank you very much. I thought it would be good to kick off by saying something about the Upstarts Awards and to encourage those nominated, to say how it all started and also to say something about why traditional businesses are becoming a little more interested in the whole concept of social enterprise. Centrica won't be known to all of you but our brands will be, for example, British Gas, the AA, Goldfish and OneTel. Five years ago we were just a traditional gas monopoly; today we are a multi-service provider. Basically, you can buy any household service from us, and I will give you a form after the roundtable if you are interested. Now, how did we get involved in the Upstarts Awards? Centrica was really transformed by trying to do things very differently. We thought, if it can be applied to the utilities sector, could we look at how it might be applied also to perhaps more traditional charity sectors? So that was our starting point really. So we joined with The New Statesman to form the Upstarts Awards. Last year the objective was to find people or organisations operating, if you like, beyond the charitable sector, beyond the traditional model, people who challenge ways of doing things, people who brought freshness and drive and creativity to the traditional problems. I think it was a great success in finding and celebrating new ways of doing things. So this year we have extended it a bit. We have introduced new awards, including Social Entrepreneur of The Year, Social Enterprise of The Year, and also an Award to an individual who has made an outstanding contribution. James will give you all the details and I expect to see all your names on the forms shortly. We have also introduced a scholarship for the School of Social Entrepreneurs as well. So that's the Upstarts. I thought it might be interesting also to say something about why traditional

businesses are a bit more interested in this area and I think there are really three reasons. First, I think, as we have all come to realise, there is a blurring of the boundaries between the state, charities and companies. We have privatisation, the private finance initiative, contracting out of services; nothing is quite as it was. Also, I think expectations on businesses are growing. While businesses, or traditional PLCs, clearly don't have the structure of a social business, sometimes within organisations you can find elements of social enterprise and social thinking and I will come on to a couple of examples about that in a minute.

Secondly, in terms of companies' traditional community investment profiles, there was and have been perhaps in the past great emphasis on charitable giving or grant giving and I think a lot of that has now changed. Companies want returns, both in terms of their business objectives, but they also want to see real social effects coming through. They want to make meaningful partnerships and the partners they increasingly search out are going to be ones that match their values, that are perhaps more entrepreneurial in their approach, rather than perhaps some of the more traditional charitable sectors. For example, we work closely with organisations like Help the Aged and the Cystic Fibrosis Trust, which really are leading edge in terms of the spirit of their organisations and their approach.

I think the last point I would like to make about social enterprise is that it is more than ownership, it is more than a social aid. If anything, it is about a mindset. That isn't restricted just to the third sector, we can see it operating in some large corporations. Let me just give you a couple of examples. Centrica has a model of employing long term unemployed disabled people and carers. This was an extremely innovative thing for a PLC to do. It was piloted in the north-west, it now operates across ten of our offices and employs round 130 people. More importantly, what we tried to do was to create a model for other PLC's to follow, and in fact we are following. This is very sustainable development and I think it is a great success for us in terms of recruitment of people, but it is also having a real social impact.

I think that's all I really wanted to say at this point and perhaps I will hand back to

Andrea. I hope that by the end of his discussion we will have a clearer sense of how we can all promote enterprise, perhaps beyond the traditional boundaries.

**ANDREA WESTALL:** Thanks. What we are going to do for the first part is to have a discussion around three different topics. The first one is going to be around just discussing, in a sense, what is a social enterprise, what is a social entrepreneur, how is this different from the mainstream view, let's say of charity? Are charities becoming more enterprising in themselves? I do recognise that a lot of people here have been to a lot of conferences and seminars around this discussion and perhaps are feeling a little terminologied out. What is clear is that it is still an issue that does need to be thought through and for those of us who have not been as engaged with these issues, it is very important we do start there. Then we are going to look at what I think is a very interesting topic, which is actually about whether or not there is cross-party agreement on the role of social enterprises with respect to the policy agenda, because in some respects you could argue that at the moment it is allied to Labour's policies and fitting in particularly nicely, I think, with the way in which the Chancellor has been starting to look at how we do start to marry fairness and enterprise, as pointed out in the budget. But what does that mean and are social enterprises one way of doing that? But if you look across the political spectrum, then potentially social enterprise has a role which in itself is actually quite apolitical, one would argue as well. So I think some interesting discussions to look at where that fits in there. The third area, which is one of the key areas for social enterprise is about access to finance, both attitudes of mainstream banking and also the development of specific vehicles which are supporting social enterprises. What would be good to do first is just very briefly go round and introduce ourselves and find out just very briefly - 30 seconds, that's all you have got - a little bit about yourself and how you engage with this agenda. The timing for the day is that at about 12 o'clock the Minister arrives and we will have a break of about 10 minutes for coffee. Lunch is about one o'clock and before we do anything else, all mobiles off, please. Barbara, let's start with you.

**BARBARA PHILLIPS:** Barbara Phillips, I am Head of the Social Enterprise Unit, Department of Trade and Industry. We were launched in October last year. I work directly with Douglas Alexander. The Secretary of State takes a direct personal interest in this issue and we are in the process at the moment of developing a social enterprise strategy, which is planned to be launched on 2nd July. This is drawing heavily on the work of eight working groups that we set up at the end of last year and involved almost 100 practitioners, intermediaries and others interested in social enterprise.

**STEPHEN HARBIN:** My name is Steve Harbin, I'm Chief Executive of a social venture called youreable.com. It was originally a television competition, the e-millionaire show on channel 4, if you remember it. Being relatively successful, our mission is to enable disabled people; we are now profitable within the first year of operation. We are currently progressing the stock market listing, which we think will be the first social venture to list on the stock market, to expand our role.

**TOM McNALLY:** Tom McNally. I'm Deputy Leader of the Liberal Democrats in the House of Lords. It is over two years since we have published our policy document, 'Local Economy, Local Choice', on this area, but I wouldn't claim to be an expert on it, especially as I view some of the others around. Perhaps I will bring a political scepticism to it.

**DAVID IRWIN:** I'm David Irwin. I am consulting in enterprise and economic development but until the end of March I'm Head of the Small Business Service.

**JONATHAN BLAND:** I am Jonathan Bland, Director of Social Enterprise London. We are a regional agency that helps people understand what social enterprise is and what they can do with it to improve and develop business support for social enterprise in the capital and issues to do with access to finance. Personally I

have been involved in promoting social enterprises of various different kinds, and before I came back to England four years ago to head up sales, I was working as a European Development Manager in Spain for the Valencian Federation of Worker Co-ops, doing a whole range of management and development projects with people in many countries of Europe. So I bring the European perspective.

**JOE DOCHERTY:** Joe Docherty. I head up a team in Barclays, trying to get funding on a commercial basis into SME's that can't otherwise get money from banks. We are just looking at doing the same thing with physical regeneration projects that can't get standard finance. I'm going to have to leave at 12 o'clock, unfortunately, to go to Treasury. If we could maybe address access to finance before then, I would be very grateful.

**LESLIE BUDD:** I am Leslie Budd. I am Reader in Social Enterprise at the Open University Business School. We have had a strong commitment to social enterprise for a long period through the Research Unit and the Public Interest and Financial Research Group. Personally I was a member of the research and mapping group that Andrea chaired for the DTI.

**MATTHEW YOUNG:** Matthew Young, a Director of the Adam Smith Institute. We are a public policy think tank with mainly economic themes around the issue of the boundaries between the public and the private sector. The sort of themes that we consistently promote are smaller government, less taxation, more competition and choice and let the user determine.

**LIAM BLACK:** Liam Black. I run a social business in Liverpool called Furniture Resource Centre, which does a number of things. It exists to help people who otherwise would go without to get hold of furniture and doing all the making, recycling and selling. We recruit people from long term unemployment and train them up. In response to the great interest that there was in my organisation and others in Merseyside, and the general national debate about social enterprise,

we established a new company last year called Cat's Pyjamas, which attempts to help people from all over the country learn from the business models we have developed.

**RAY SHEATH:** I am Ray Sheath. I am Managing Director of The Scarman Trust, which basically reaches deep into grass roots and communities and creates community and social entrepreneurs. We have created 1,000 - been midwife rather - to 1,000 in the last four years and will have a programme of 2,000 community entrepreneurs this year and next year. My experiences at the other end of the scale of the social entrepreneurs, I was Chair of Trustees at Scott Bader Commonwealth, one of the largest social enterprises in the world and, as a result of that experience I'm campaigning for a new legal form to embrace the social economy, called Trusteeship Initiative.

**MARK SESNAN:** Mark Sesnan, Greenwich Leisure Limited. We are a staff led company that outsourced in 1993 from local Government. We run all the leisure centres in Greenwich, Merton, Newham and Waltham Forest and now Epsom and we are pioneering this route of half-way between a commercial and public sector, trying to get the best values of each in the not for profit stakeholder sector. But not just working on the margins or in deprivation, we are trying to prove that this works across the piste, in that you can use these vehicles to Robin Hood from the people who can pay to the people who can't.

**SHAUN SPIERS:** I'm Shaun Spiers from ABCUL, the Association of British Credit Unions, the main trade association of credit unions in Britain. Our view is that credit unions by and large are social enterprises. There are some just for employees, better off employees like the police service, for instance, but on the whole credit unions are serving the financially excluded. The problem we have is that the public policy interest in credit unions by and large is the smaller, less sustainable credit unions. About half our members have fewer than 250 members. The larger credit unions have a mixed social base, including those

who have got money as well as those who haven't and therefore find it harder to get support from policy makers. Clearly, credit unions are independent financial institutions and shouldn't be grant dependent as, indeed, they are not elsewhere in the world, where they work very effectively.

**ANDREW JESSON:** Andrew Jesson, Manager at Unity Trust Bank. Unity Trust is majority owned by the trades union movement; maybe a social enterprise, maybe not. We pioneered the use of the ESOP in this country in 1986, which is employee share ownership plans. We have been involved in the charity or not for profit area since our inception really, obviously through our shareholders. We sponsored the social economy forum in Birmingham some five years ago. I'm also working with Southbank University at the moment researching finance for social enterprises.

**JAMES SMITH:** James Smith, Director of The School for Social Entrepreneurs, an independent organisation running action learning programmes for social entrepreneurs from a very wide variety of backgrounds throughout the UK. We have programmes currently running in seven areas in the UK, as well as a national programme. I would like to take this opportunity to thank Patrick for supporting our cause this year. I worked with Mike Young, who was just starting to set up the school, so I regard myself as his first student as well as now Director. I am proof that you can learn entrepreneurship, if you think you can't be taught. One of the things that I would like to talk about at some point this morning is the overlaps but distinctions between social entrepreneurship and social enterprise.

**PATRICK LAW:** Patrick Law from Centrica. I think you have heard quite enough from me.

**RITA PATEL:** Rita Patel, board member of East Midlands Development Agency. We are very committed in the East Midlands to supporting and providing a forum

for the emergence and I think the support for social enterprise. We have just set up an organisation called SEAM - Social Enterprise East Midlands - in partnership with a number of other organisations. It is to both demonstrate our commitment to social enterprise but also we see social enterprise as being the key to regeneration, particularly urban regeneration, and particularly in areas that have been historically ignored, particularly in the urban areas and some rural communities, where they find it very difficult to attract private sector enterprise because it is not seen as innovative enough.

In my individual capacity, I work for a black women's organisation, setting up a \$14.4m project, a self-sustaining project, a community led project. I think that the voluntary sector in particular, the voluntary community sector in particular, the only way forward is for entrepreneurs to really look at how we can get out of the begging bowl mentality, how we can stand on our own two feet. That's one of the many things I think the community sector excels at but is often not given the credit for. I think we have a wealth of entrepreneurs in black communities as well as across the board. We engage in community provision but I think that so far this country has ignored that resource and it is a very valuable resource, just coming into the mainstream. I'm glad to see these discussions taking place today.

**ANDREA WESTALL:** Thank you very much. We have got an excellent spread, I think, of interest and practice which will make for a great discussion. Lets start with why we are here, what is the social enterprise concept, what is social entrepreneurship? Maybe we could response to James's challenge, maybe starting off with James to see where he sees differences and similarities between the two. Then, if this is not too much of a challenge perhaps, because you are coming to this slightly differently, maybe you could respond to how you see it. Let's open it up. All right.

**JAMES SMITH:** My favourite definition of entrepreneurship, which I read in business literature - and I like it because it doesn't refer to profit - is that an

entrepreneur is someone who pursues opportunities without regard to resources currently under their control. In other words, if you have the resources to pursue an opportunity, you are managing those resources, you are a manager. If you don't but you decide you will do it anyway, you become an entrepreneur. There are obviously many different ways you can do that. If you add social entrepreneur, then the opportunity you are pursuing is an opportunity for social or community benefit in some way. Now, that definition obviously doesn't refer to any kind of organisational structure, legal form, way of financing the organisation; it is a process. So, obviously, you will find driving the development of a lot of social enterprises, you will find the social entrepreneur. But social entrepreneurs often work in other ways as well.

**ANDREA WESTALL:** Tom, how do you see this whole area?

**TOM McNALLY:** That was short. I will need at least five minutes to gather my thoughts. I said I would produce an approach of cynicism, which is not true in many respects, because I think one of the areas, one of the reasons I'm here is - and I suspect Dave Willetts as well - the politicians are looking for ways forward in areas where there is no longer certainty. I think the kind of cradle to grave welfare-ism embodied in Beveridge through a dependency culture, perhaps was not recognised by the early pioneers. My only worry is that, as somebody whose roots were in the old Labour party, I just wonder whether these ideas are new or are not themselves recycled. My scepticism comes from having the scars of Tony Benn's co-operative initiatives in the 70s, where lots of public money was thrown at good causes, but doomed causes.

I think that there have to be financial disciplines which are timeless. Our colleague from the Unity Bank, we were talking beforehand and I said, "Of course, the trade union banks on the continent were very successful", and he said, "Well, they were but of course the biggest one, the German bank, went bust". You can't make economic water flow uphill and I think that, therefore, there has to be a certain concern. On the other hand, as the lady said, in inner cities

and rural communities the market is not willing to go. I will not recount the Barclays Bank closures and others, but there is a withdrawal from both rural communities and inner cities. I think one of the most traumatic experiences I have had recently is when I was on the Select Committee on Public Services. They took us to one of the big housing estates in Leeds and I really did feel that I was on the front line, where everything had fled - retailers, pubs that looked like they were in a war zone - and a feeling of despair which one gets from anecdotal evidence, the feeling that this approach is responding to.

One other thing as well: how different is the new social concern among the big companies? I think it is real. I went to the Dragon Awards on Friday, where a number of city companies were getting awards for mentoring and other initiatives in east London. I was born in an ICI house. The paternalism of companies like ICI and Pilkingtons is no longer there. One of the explanations for that, I advised Pilkingtons when they were under threat from DTR a decade or more ago and I remember in the City Pilkingtons' social responsibility was marked down as a minus: what the bloody hell are they doing with houses and sports fields and old people's clubs and the rest? They are supposed to be making glass. I wonder how deep is the commitment of this generation of entrepreneurs to social commitment. I know it is the buzz word at the moment that corporate responsibility almost has to be written into the balance sheet, but perhaps some of our representatives could say how deep it is.

But my question is just where is this different from some of the old cooperative movement ideals, which I still strongly believe in. I'm very pleased that the Co-op has set itself a kind of small and beautiful agenda under its recent report and said that it will go back into rural and inner city areas. But how much is new and how much of it is old - you know, going back to Michael Young and some of his old priorities have just been discovered by a new generation.

**ANDREA WESTALL:** You have actually managed to cover all the topics for the whole day, which is fantastic. I think it is quite good because it means for those of us who have definitions that we think we know what we are working with, it is

interesting whether or not that challenges those or makes it more problematic. Who thinks they do have a clear idea of what the social enterprise sphere is?

**TOM McNALLY:** What I'm really asking is, is it a new idea?

**ANDREA WESTALL:** Is it new? Is it different? How does this work? Maybe Barbara and Jonathan have clear definitions to start with.

**BARBARA PHILLIPS:** I think first of all it doesn't matter whether it is new or not. I think it is actually to its credit that it is drawing on its very rich heritage. That's a positive thing which I don't think we have to worry about that, every generation has to re-invent things to make it feel it belongs to them.

Secondly, social enterprise is not the answer to all society's ills, we have to be realistic what we believe social enterprise can achieve, and it is not the answer for every public sector body. But where it works, where you can have a business, a viable business model that actually has a social purpose, you actually have a greater possibility of having something that's sustainable over time and by generating genuine economic activity within a community you actually have a possibility of that happening when all the grant funding regimes have dried up, which has been the problem in the past. So although the number of social enterprises in total as part of the economy may be quite small, they actually have a disproportionately significant impact on the communities in which they operate. I also think that, very importantly, they offer models to mainstream business for how you can actually combine, as the Americans would say, mission and money.

**JONATHAN BLAND:** I agree with everything Barbara has just said. I think there are lots of things about social enterprise that are not new at all, they go back thousands of years, not just back to the early days of the Co-op. They are things that are not peculiar to British society as well. In my experience in Europe, in terms of the broader social economy, some things we might call associations or voluntary organisations, in Europe there are probably about 1.3m social economy

organisations, employing about 6.6 per cent of all employment across Europe and 6 per cent of all economic activity. So it is not something that is everything but it is significant and it is there in the other places. I think what is important about the way people are looking at it now is the context we are in. We are looking at a range of solutions to policy issues, about how we can be more competitive in the economy and have a broader base work. That is, looking for different ways of structuring business organisations that involve a range of stakeholders, employees, customers. Also looking at some of those issues, how can we regenerate some of those areas that have been abandoned by conventional business and how can we make our public services more effective; how to empower the people that deliver them and are using them in new and different ways. While the concept is not new, it is the application within the context that's interesting at the moment.

Having said that, I think there are lessons from the past. Particularly, you know, you referred to Tony Benn and the Co-operatives in the 70s and that did an awful lot of harm for progressing the Co-op movement in this society. We are now in a position where I think politicians have the practice and the ability to deliver and have the capacity on the ground for delivering. We have a danger of everybody jumping on the social enterprise bandwagon, various different regeneration programmes, throwing money at voluntary organisations and other groups that may be not be entrepreneurial in the way that they work. We have to put in place the right kind of business support measures to ensure we really do get viable businesses.

Finally, I think there is a difference between social enterprise and social responsibility and I think both are needed in a diverse economy. But the difference about social enterprise is, it is not there to build shareholder value. We have market disciplines and have to operate in the market and be effective and make profits and invest but its *raison d'être* is not to build shareholder value. That means that it has a different text from the way it deals with people, customers and the communities it comes from.

**JOE DOCHERTY:** One of the things that has come out in various papers has been, people talk about life in the centre and the need to regenerate areas and so on. You can find it gets defined as market failure sometimes, when actually when we think about it, it is not the market performing absolutely perfectly, as markets do, what it is doing is actually failing the communities that are left there. It is actually not really the inner cities. It is the areas surrounding city centres. Tom mentioned Beveridge, Tony Benn, talking about cradle to grave, almost post-Stalinist economic planning. That bred managers and not entrepreneurs and that's something we are now trying to find. As we know, small businesses and business start-ups are going to be the key to the future but we need to create the capacity to actually deliver. What we are doing at the moment, we are putting in 20m of equity and 40m of debt into regional venture capital funds, an attempt to steer venture capital into areas it doesn't go. But one of the things we have found, because there are no venture capitalists in this market, there are very few who can actually manage investments at those sites, so you are creating a new network of people who are going to deliver into the sector and it is a bit of chicken and egg situation. I think Jonathan's point that the means to deliver are lagging behind the policy. We see that every day.

I think the final point, in terms of social responsibility buzz words are, you know, they are out of fashion and business is no different. The best way to get business involved is to make it sustainable and show them where they can get a profit and get an enlightened self-interest. That's the way business moves its capital, by giving it an opportunity to make a profit. That's the principal function of the business and the shareholders and I think what you try and do is create a structure where there is a mutuality of interest and you can actually make a return but actually provide some benefits in addition to that. So I'm very curious to hear more this morning to feed into our thinking and to try and create some structures to help address this.

**ANDREA WESTALL:** Let's move on, we have got quite a short time and a lot to get through. What I would like to do is just briefly address where this concept sits

politically, because what we have heard so far is that it is a continuation and development of the property tradition, how it links through with current Labour Party policy and the whole arrangement of agendas. But how does that pan out politically? How do other parties see this? Matthew, I don't know if you have some thoughts on it.

**MATTHEW YOUNG:** Not to sound precious about it, I'm not speaking for the Conservative Party but coming at it from perhaps a more right wing economic perspective, I think some very interesting points have been made here, which are perhaps to do with, on the one hand, the area which perhaps we have not entirely bottomed, which is saying: what are we defining as a social enterprise, what is the need being addressed here? Then if there is indeed cross-party consensus that there is some need that is not met by today's corporate structures, trust law and so on, what else, what other impediments are there? Rita has mentioned the begging bowl mentality, which clearly addresses Joe's point that you don't have a sustainable business so you have got to find something that is profit and, if you don't like the word 'profit', it is 'margin'. You have to create a margin so you can continue in business and that is what then opens up, it would seem to me, the availability of finance, because if you haven't got that margin then how are you going to carry the business forward? So I think I'm still left with a nagging doubt as to are we clear what these social enterprises are, what gap they are filling, apart from a rather general, vague definition that there's a wider good than just a profit margin. That still does not tell me anything. Have I not listened carefully enough or are we still not quite having pinned down what we are trying to do. Then if we know what we are trying to do we can say how do you make it work?

**ANDREA WESTALL:** The challenge is there. Who wants to respond?

**JOE DOCHERTY:** I think there is a difference between not for profit - I think people think that means you can't make a profit. It just means you don't distribute

it to shareholders. In 1992 we were a not for profit bank by accident. I think there are opportunities to generate the revenue in the private sector which are not necessarily contradictory to the social aims of the organisation.

**ANDREA WESTALL:** James.

**JAMES SMITH:** I think there are two primary ways an enterprise can be social. Those are, either it is providing economic activity in jobs to people and communities that would otherwise be excluded, or the product or service which it is trading is providing a social benefit. So you might look at youreable.com, the product or services it is providing, and it doesn't matter if it is a profit making company or not it, it has a social objective; that's why it exists. The Financial Resource Centre is actually an example of both of those models of a social enterprise.

**DAVID IRWIN:** I'm not sure about the first of those, I have to say. I think the danger is you end up with mixed objectives and too often I have seen businesses end up going down the pan because they can't decide which is more important and end up not concentrating on either. It seems to me also that actually there is some benefit in trying to separate out the structure and the objectives, despite what Jonathan was saying this morning - and this is where Jonathan and I tend to disagree a little bit – it seems to me that just because a cooperative is a co-operative doesn't mean it is a social enterprise. If a co-operative simply makes a profit like any other business and just reaps the profits to all of the co-operators, then for me that's no different to any other business, it owned by the shareholders with the shareholders working in the business. On the other hand, if it or, indeed, any other structure is there for social objectives, then that seems to me to become closer to what we are talking about. I actually agree with James, your definition of a social entrepreneur at the beginning, except I talk about securing resources, you were talking about, I think your words were “without regard to resources”, which sounds a bit cavalier. I would have talked about

securing the resources. For me many social entrepreneurs continue to secure resources from wherever it can be, often grant aid. Social enterprise for me is an organisation which is earning its income through trading, but nevertheless is aiming to address social objectives.

**ANDREA WESTALL:** Maybe I can help this along slightly, because having looked across the whole range of social enterprises and trying to work this definition, (Leslie and I had to try and map the whole sector for Barbara, which proves difficult when you can't work out the definition), there are three not distinct but overlapping ways of approaching it. One was exactly - which addresses your point - the nature of the goods and services provided, that we are addressing some kind of market failure (however you want to look at that) or need. The other was actually the way in which you work, in other words the processes by which that enterprise is working. That would cover anything from fair trade to the way in which social firm's work, their processes involved engaging disabled people. They may be producing anything in the market. It is not the nature of that good or service, it is how they are working, how they are engaging. The third group are actually - and I think this is the really difficult area which is actually ticking around the voluntary sector - those that are doing entrepreneurial and enterprising activities in order to - a little bit like Mark was saying - cross-subsidise in a Robin Hood way some of the social activities that can't be funded through the market. I think those three processes are actually quite different and often you get three in one, but sometimes you don't and the focus can be there. The defining line between corporate responsible business, the voluntary sector and even government is very, very fuzzy. In fact, some of the really good innovations are actually on those boundaries and do we care whether they are in or out anyway? That's one of my pennants to using the Chair position.

**TOM McNALLY:** May I just say, what distressed me as well about this movement or this development is that it addresses employment in two areas where we have been wrestling with difficulties. One is that we have got a kind of dormant skill

base of people who may have for one reason or another gone out of paid employment and, if older people are going to stay active longer, this seems to me to be a very good way of the community and society using their experience and talents in a way that also gives them a feeling of self-worth. But the other, which has had enough kind of anecdotal evidence to make it attractive, is that it does seem that these enterprises can get at the underclass who have failed to get into the work economy, perhaps for a couple of generations. It does seem to me that that is something that all the political parties are both worried about and looking for solutions for. This is a way of getting those 'never-worked' and getting them into the world of work. This must be a plus for society as a whole.

**ANDREA WESTALL:** Do we feel – to go back to this political question – that actually social enterprise is very much addressing issues of concerns that in a way go outside of ideological boundaries.

**SHAUN SPIERS:** With regards to credit unions there is cross-party support. Four or five years ago credit unions were very fashionable and I started working at ABCUL. They have progressively become less fashionable. Now social enterprises are very fashionable, which suits us because credit unions are social enterprises. They are enterprises. Tom McNally's point about co-operatives failing in the 70s – enterprises will fail. There is a figure in Barclays' latest social report, something like 50 per cent of companies who invested in the prime post codes in 2000 were in business at the end of 2001. Enterprises will fail and I think you have to recognise that.

As regards credit unions, Matthew Young asked do they address a gap in the market. Clearly, they do. I know we are coming on to that - access to finance - but they do address a gap in the market if they are properly set up. The best example we have is Leeds City Credit Union, a big employees credit union. Its members were by definition in work, they are employees of Leeds City Council and other businesses in Leeds. In the last year, five community credit unions have merged with the employee credit union. Those were tiny credit unions of

100/200 members, some of them insolvent, a lot of them struggling. Since they have been able to merge with a much bigger functioning enterprise they have been enormously strengthened. They have professional staff in the back office, the volunteers have uniforms, there is credibility, places people want to put their savings. Average takings in Seacroft, a particularly deprived part of Leeds, have gone up from £200 at their Saturday collection point to over £5,000. I should stress they have good money laundering procedures. People were bringing money in from under their beds because they now had an institution they could trust in a way they didn't trust the banks. Now it has settled at about £2,000. They are addressing a gap in the market and are able to work as enterprises because they have certain advantages, notably not paying external shareholders, low bad debt because of the common bond people feel and relatively low promotional costs because they are only working in a particular area. They work extremely well but they work essentially as social enterprises. It is not a panacea and people who go around setting up lots of little credit unions in private estates saying we are going to help a lot of financially excluded people are missing the main point. There has to be a mixed social base.

If I can end on the definition from the Social Enterprise Unit which I think is something like "trading for a social purpose". Barbara and I had this full and frank exchange last week about whether credit unions are social enterprises. One of the best credit unions we have got is Scottish Transport Credit Union in Scotland, a common bond mainly of bus drivers in Scotland. They don't count as financially excluded by the Government's definition, but they have relatively high job insecurity, relatively low wages, and talking to the manager of that credit union, the kind of work they do in reordering people's finances, in addressing their debt problems and so on, are enormously socially valuable. But by the Government's definition, because they are not financially excluded, because they are in work, because their payment to credit union is through payroll, they are not social enterprises. I would query that.

**BARBARA PHILLIPS:** Would it help if I remind people what definition the Unit

uses? It has quite widespread acceptance and it is deliberately open - we think that's very important. We don't see it as a legal form and our concept of social enterprise is a continuum and we want it to be inclusive. Social enterprise is defined as a business with primarily social objectives, whose surpluses are re-invested for that purpose in the business or in the community, rather than being driven by the need to deliver profits to shareholders and owners. The point there is you have to have businesses and in order to succeed as social enterprises they must succeed as businesses, but their objectives are primarily social and that's what separates them from even the best of corporately socially responsible companies, because their primary aim is social. They are not not for profits. We don't like to use that term because they are seeking to generate a surplus of profit. But it is what they do. It is the distribution, as you said, the distribution of the profit that matters.

As to whether credit unions are or are not, I don't really care. What matters to me is that we have certain things in common and one of the difficulties I have is saying in individual cases, are you in or out, because we don't yet have a definition of the social objectives, the social purpose. Is it just to be the things on the Government social policy agenda that are the things? Is it a wider definition? Is there some sense in us talking about public benefit, anything that is for public benefit, does that make that a social enterprise? I really don't know.

**ANDREA WESTALL:** Let's move the session on to the last area, because I think we have got about seven minutes. I think what Barbara said was interesting, about how maybe the relationship between social enterprises and Government depends on your political definition of social objectives. Also the issue about whether or not social enterprises get outside the whole Government statement. Actually that interaction is very positive but also potentially problematic. Now, I think we have moved on from the political side. I don't think it's terribly finalised but there is a sense, I think, that this kind of self-help approach is something that does unite the left and the right and I think it is something that's quite clear.

The area that we want to focus on just before coffee break is around access to finance, one of the lifebloods, in a sense, of how social enterprises operate. Joe, as you have to leave, I know you want to say something, do you want to start, particularly with the attitude of mainstream banks to this area, and then open it up to discussion?

**JOE DOCHERTY:** First of all, I'm not entirely sure that a bank should take a differential approach between a social enterprise and any other enterprise when actually what we are looking at is a sustainable business. The approach we have taken is at the moment to invest in third party vehicles and then go on and lend to social enterprise, to individuals, to business. We have been quite successful. We think we have got a template that allows us to do that on a commercial basis. But you do get approaches where people have a £50,000 fund, a £30,000 fund manager managing it, and I think those models don't - I think you need some scale if you are going to get some finance in properly. They need to be able to see where they have got the revenues through to come back. The actual definition that we use to decide whether we want to invest in something or not, assuming the credit principles are okay for us, it is lending to enterprises or individuals who cannot obtain bank finance. But it is quite difficult to try and sell commercial concepts to people who have got a track record of being grant funded. Why should I borrow £2m off Barclays for a fund when I have been getting a £200,000 a year grant to make investments instead? It is about making it sustainable, about changing the internal motor of the finance so that when that fund runs out you have a track record and can go back to the bank, any bank, and they can keep the fund moving. We have been in circumstances where people have, we have looked for a debt, a pilot project in London, £0.5m; it will lend £1,000 or £5,000 to individual small businesses trying to obtain finance. At the end of the day, another bank came in and they funded it out of a charitable arm. That's kind of missing the whole point, because if you do it on a commercial basis, you can then have a £5m fund, actually have real scale and it is fund managers and individuals and communities who can make the difference. The

whole challenge for us is to change that motor but at the moment there is an education for the finance providers but also in the market place as to why we should even bother to try and think like this in the first place.

**DAVID IRWIN:** I agree with everything you said, Joe, but you are also talking as though all the bank can do is invest one way or another into a loan fund, which in turn is investing in businesses. You started off by saying there is no reason in principle the bank shouldn't invest in social enterprises and I agree, if the social enterprise is one that's earning its keep through trading rather than grant income. The difficulty, it seems to me, is you guys will still be looking for security and finding that security becomes quite hard for social enterprise. In my last but one incarnation, in the enterprise age when we had a lot of work space, which in a sense was a social enterprise, as we began to develop the work space, we actually had assets to pledge to the bank and ended up with a somewhat large loan at the end of the day, a seven figure loan, but all secured on that property; but very much a social enterprise and the profit being ploughed back in. The challenge, it seems to me, for the banks is the very mechanism whereby there can be some sort of guarantee to step in for what clearly you are not going to get from the social enterprise. It is an area, for example, where Government needs to be doing something.

**ANDREW JESSON:** I'm interested to hear what you say. I think you have got to separate two things. Joe is talking about new business finance for setting up these organisations.

**JOE DOCHERTY:** It can be business expanding, there are different funds aimed at different stages.

**ANDREW JESSON:** Let me throw a few things out. As you know we are the trades union bank, not for profit, not for private profit, whatever your definition is; my comment will be you will know one when you see one. We get applications in

and if they do not comply with our understanding of a normal corporate we are not going into the social economy. That's the way of the world. I was quite interested to hear you say that the banks weren't generally lending to you because you didn't have security. I think that situation is changing. What I would like to say there is that the bank wouldn't see you because you didn't have the work on the business plan, because that I believe is the problem in the area at the moment. There is a lack of a business plan that shows the sustainability of organisations and that's what we have been working on quite heavily. The organisations have to show sustainability through a business plan and because of the nature of the organisation, - and forgive me, this is perhaps because of the intransigence of some of the major banks, including ourselves to some extent - that business plan has to be better than an equivalent business plan presented by an ordinary business.

**DAVID IRWIN:** We were doing very well, we raised over £1m. The point I am making is that for most social enterprises there is not sufficient security there and the individuals involved in it---

**ANDREW JESSON:** Security, you are saying. All right, if the business fails I have got the secondary source, I just go in there and take over the building. I think my argument is that security can be security of cashflow within the business plan.

**ANDREA WESTALL:** This is going to turn into an internal discussion where the rest of us start backing out. Ray had a point.

**RAY SHEATH:** Can I comment on two things? I don't agree with Barbara Phillips that this is about businesses only, this in the public domain as well. I think to assume that you have got to be dealing with revenue base is wrong. I think you deal with tax based social enterprise as well. So that's one point. The second thing, on the mapping: I think we can address that as a different point. Just coming to the current issue of financing. It seems to be agreed there

is no shareholding equity and therefore we take that income stream away or that flow of revenue away. There seems to be an assumption here that what you are left with is the banks, but that's not true either. What you also have is gift capital. As many people have noted, this is nothing new, this social economy is not new; it is hundreds if not thousands of years old. Some of the largest social enterprises today were formed from gift capital: Scott Bader was, Ove Arup Partnership was, John Lewis Partnership was, and there is still today large activity on gift capital. What we do on Scarman Trust on a very, very, very small scale at grass roots level is gift capital. You give the money to somebody, okay? They start developing sustainable enterprise of some sort, not necessarily business and then from that sustainability money gets reinvested. Occasionally you may have to go to bank financing but it is by no means the only route.

**ANDREA WESTALL:** We are now on coffee break but David Willetts joined us half-way through and wanted to make a comment.

**DAVID WILETTTS:** Yes, sorry about that. On this discussion of finance, the way I see it - and people will correct me if I am wrong - the point is that for a bank to assess lending on the basis of assets that can be used as security is a relatively straight forward function, so it can be done relatively cheaply by a bank using less skilled staff. Assessing a project where there is less security, backing a project without security for lending, requires higher grade people exercising more personal judgement and it tends to be done for larger sums of money. Part of the success of an organisation like the Prince's Youth Business Trust, is that he takes people who have got skills in project lending who don't simply say, "Have you physical security against which we can secure this loan", and gets them to give their time doing project appraisal on a smaller scale than they normally would be devoted to. The problem with the banks is that we are asking them for a level of judgement often for relatively small sums of money and that's one of the imperfections in the way the banks work.

**JOE DOCHERTY:** It is one of the things I was saying about how it needs scale.

**DAVID WILLETTS:** One of the paradoxes of that is that with larger sums that go higher up the decision tree, there are people that will take those sort of judgements without looking at the security as against an asset. Larger sums might be easier for them to do than small sums. With the small sums all they ever want to know is what is the security.

The second point in all this is that with social enterprises, the classic economic issue is how they expand. It is not setting them up. It is whether without conventional returns to capital they will get beyond a certain scale. There is one model of social enterprise where they are niche and small and innovative but if we ever want them to be big you have to design forms of returns to capital. The classic issues about all these schemes is how do they finance growth, how do they grow?

**ANDREA WESTALL:** I would like to say welcome to Douglas Alexander, who is the Minister for E-commerce and Competitiveness. He is rather worried that he's coming in in the middle of the discussion so what we don't want to do is to start everything all over again. Douglas is going to let me know what is going on within Government and some thoughts on the issues we are looking at today. Douglas.

**DOUGLAS ALEXANDER:** Thanks. What I thought might be of most use is to talk about why we are concerned about this issue of social enterprise and aim specifically to touch on what I think are the three fundamental challenges of Government in terms of driving forward this agenda.

First of all, what Government are going to do with this anyway and why we care about it. I think that probably you could characterise the biggest domestic challenge we face as a Government as being not only to establish a dynamic, productive economy but also a fair society. That's easily said but it is a considerable public policy challenge in how to advance those objectives. I'm pretty clear within those objectives social enterprise has a key role to play. I

suppose you could understand my personal interest in social enterprise, which pre-dates my appointment last June to the portfolio, to some of the thinking that has been undertaken in terms of how you renegotiate the relationship between individual communities and the state, and to that extent it seems a quintessentially New Labour point on which to start. Actually, if you look at some of the social enterprise, not just in the constituency that I serve but also around the country it captures the fact that there is scope for real dynamism and entrepreneurialism in advancing the public interest.

The challenge for Government is how to avoid using all thumbs and no fingers in seeking to sustain those kinds of enterprises. I think this is why, in public policy terms, this is one of the most interesting areas because actually the degree to which there has been a recognition over recent years that social enterprise does have a key role to play in advancing public interest I find very encouraging. But in some ways I don't think the political debate has kept pace with that recognition of the contribution that social enterprises can actually play. With that in mind when we were re-elected in June 2001 we made the decision to establish a Social Enterprise Unit within Government.

Let me say a word or two about why we chose the DTI. In part it was because we were determined within the DTI, Patricia Hewitt and myself, to make clear that we do see social enterprises as being businesses. They have a distinctive purpose, they have many attributes. I felt it sent out a very powerful signal if we located the Social Enterprise Unit within the Department of Trade and Industry that actually these were businesses who could benefit and contribute to a pro-enterprise agenda from Government. So I think in itself that was a significant statement.

Actually, the work we have been taking forward within the Unit over recent months has been coming together towards a social enterprise strategy which we will be launching this summer. How to identify what I think are probably the three biggest challenges we have identified as part of that on-going work. First of all, how do you create an enabling environment? That bears on the first point I was making, that it is easy to say, yes, we applaud these organisations, we think they are doing a great job, but actually how does the Government facilitate the

establishment of more of them and wider distribution of them in itself I think is a challenge. Secondly, how do you make social enterprises better businesses, in the sense that I am very clear that the danger is because they are seen as having social purposes, sometimes people can say that's enough; we do actually want them to be entrepreneurial and self-sustaining. Some of them certainly can and are already and actually they have challenges just like any other small businesses in terms of taking forward their own viability. Thirdly, and I think this is a broader public policy challenge for us, how do we actually establish the credibility of social enterprise as a sector, a group of organisations well equipped to take forward broader public policy objectives, be that contributing to the economy and the establishment of a fairer society together with public services. There is a whole range of areas in which you can see a role for social enterprise. The final point I would leave you with: much as I enjoy conversations like that, we always have to bear in mind that sometimes terminology can be a barrier to us, because actually some of the best examples of social enterprise I have witnessed involve individuals who do not regard themselves, or do not identify themselves as being social entrepreneurs, people who just happen to be running a local co-operative or happen to be running an outstanding organisation providing intermediate labour market training for young apprentices in environmental improvements in houses. I think actually we also need as politicians to be clear that one of our challenges is educating, to teach. I think in that sense where we can get public policy right we also face a quintessentially political challenge, which is ventilating an understanding of social enterprise and social entrepreneurs in a way that's understandable and relevant for people.

**ANDREA WESTALL:** Thank you, Douglas. In order to avoid total anarchy, let's try and keep fairly focused and also if you can keep comments fairly brief so we can go to everybody so those who have not had chance to speak yet can. It may be the best way to start is with those areas that Douglas has outlined as being the target areas for the way in which Government is interrelating with the sector, around the enabling environment, which is obviously a huge area, around helping

social enterprises become better business and around establishing credibility. Perhaps we can have a discussion, if you think those are key priorities, and see how this agenda will start to move forward. Obviously this strategy in a sense is that catalyst for this engagement in the sector.

**TOM McNALLY:** Two points. Just before you arrived we were discussing funding and one of the points which was coming out was that it was small funding often made by charitable organisations that had the big impact. My colleague Vince Cable has suggested that the DTI should disgorge a large amount of its budget down to regional and local government to back enterprise, rather than putting it into big enterprises at national level. I wonder how that fitted into your thinking. The other point is your other responsibility. I have great concern about the digital divide and how the E economy links into social deprivation; how much in your thinking do you see either assistance or involvement in the social economy with the E economy.

**MATTHEW YOUNG:** It is entirely characteristic of Government to seek to set out a template and I think to these three challenges that you have identified, of getting the enabling environment, making the social enterprises better businesses and how you establish a wider sense of the credibility of social enterprises, I would say, right, this is not about policy statements, this is actually about getting good examples running on the ground. You could take schools, you could take the Government's initiative on foundation hospitals. Indeed, interestingly, I think both health and education are ripe areas. One could say these are quintessentially social enterprises and couldn't we see a flourishing of businesses on a pretty significant scale. Ray Sheath made a point earlier - that you don't have to define the social enterprise as a business that takes revenue from desperate customers. It could be tax funded substantially - I would argue not wholly but certainly substantially.

Rather than spending time putting out more glossy brochures with some pleasing words around which politicians across parties might coalesce, what about

focusing on sending signals that says there is no bar to a social enterprise running a hospital or running a school or running a number of them. I think these would be areas that would resonate with the public and address issues of local responsiveness and accountability.

**ANDREA WESTALL:** Liam.

**LIAM BLACK:** I was going to say some of that. I find myself agreeing with some strange people at these things....

I'm always in two minds at events like this. It is absolutely fabulous that the Government is struggling on the ground, seriously putting very good people like Barbara in charge and coming at it with a lot of humility that we want to learn. That's really, really great. The other part of me wants to say for God's sake, keep the Government away from what we are doing. Wherever we have touched the state it always becomes very complex, very difficult to deal with and so much of our time is taken up with negotiating the agendas of Government and departments and regional departments, rather than getting on with the business. I think that it is really important that it is inside the DTI. I think that was a really good thing to do. We find the most interesting conversations that we are having as a £7m profitable social enterprise is with private sector SME's, with our suppliers, so we are getting suppliers together to say, look, it will take us years to create another 100 jobs, but if we could get each of our suppliers to learn something from our experience about how to take on excluded people then in a much shorter timeframe we would be able to have an impact on long term unemployment in our city. So I think it is great that it is in there. And for organisations like mine at that end of the spectrum, where we are earning our own way, having a kind of 'leaped out of the grass' culture, probably the most important thing we can do is help SME's around us become more social, as well as trying to help grant dependent organisations become more enterprising.

**TOM McNALLY:** That's a good point, that mentoring isn't a one way street. It isn't

just these clever, big companies telling social enterprises how to do things, it can feed the other way as well.

**LIAM BLACK:** One other thing I want to say, which is really important. If we, social enterprises, are to get political support, maybe extra tax, I think it is absolutely incumbent upon us to prove the value of our social impact. I think the whole issue of social and environmental auditing is really important, because there is in my sector too much self-righteousness: we must be doing good because we are good people, aren't we? I think we need to get ways in which I can talk people like Rita about what she is doing in the Midlands, so that we have a vocabulary, we can assess what we are doing in various areas.

**DOUGLAS ALEXANDER:** The first point was really about different tiers of Government, what role we have to play. I think Government is on a journey, learning along with the rest of the country in terms of the impact of devolution. For example, I'm a great supporter of devolution in Scotland and have been for many years. One of the reasons I was most supportive of devolution historically, was, having spent sometime in the States, the degree to which a credulous model in the States allows for innovation and policy making. They have 50 laboratories for public policy making so if they are doing something well in Wisconsin you find that it turns up in California and New York and wherever else. In that sense we are only beginning to glimpse at those possibilities within the setting established in the United Kingdom, but I do think there is real scope for innovation in policy making.

I think there will be indications, and we see that in Scotland and Wales and Northern Ireland already, in terms of funding, and the resource therefore flows. But also I think it gives us the possibility to rehabilitate people's confidence in interacting with Government in the sense that, I certainly know from my own experience, that if you compare, for example, the profile the Scottish Development Agency had historically with Scottish Enterprises, its successor, it was a hugely well-liked and trusted organisation in terms of its interaction with

local business groups in Scotland. It would have been hard even for an outstanding Department of Trade and Industry over that period of decades to have established as much credibility and as effective a working relationship as you can get when working close on the ground. In that sense, I think, it is part of a continuum of policies. The establishment of regional development agencies is in the same area, where we will see a degree of devolution which allows for an appropriate and constructive engagement at local level. What role social enterprise can play in that time will tell in years to come, but I think it is far bigger than social enterprise in that sense; we are seeing a significant alteration in the location of power within the United Kingdom and in that sense I for one certainly welcome it. It is a hugely exciting journey we have embarked upon.

In terms of the second question about the digital divide, I would make a couple of points. There was a huge amount of hype two or three years ago about the future we were all going to live in and I think one of my challenges is to liberate some of the conversations round e-commerce from notions of dot com alone. In fact, if you look at where some of the best examples of e-commerce are now happening, it is among traditional sectors of the economy where major, major companies are re-entering their business processes by smart and appropriate application of information technologies.

One of myths established two or three years ago, which I think has been pretty brutally exposed over the last two or three years, is the idea that the Internet has led to the death of distance. Of course, in practical terms if it is the case you now want to work on-line 400 miles from your office and you have the right connections, you can do it. But the importance of place competitiveness has endured. One of the things we have to recognise about the digital divide is that unless we have the right public policy responses, this new technology will exacerbate the inequalities rather than actually end them and while this economy is being driven by a multiplicity of private choices, I for one am certainly very clear that it demands we make public choices as well as a community as a society in terms of how we actually ensure we do equalise life chances. So that in my community in Paisley, the kind of computer learning centres that we are

developing almost every six months or so at the moment, genuinely give kids who never previously have had the opportunity, to have access to the world's best libraries or museums and have those opportunities. So one of those challenges is access, to get the new technology out into the communities. Secondly, how do we make sure people have the confidence and skills to use the technologies? In some ways it is a similar exercise to talking about how we put the skills in social enterprises. There is a difference between saying we will establish a small business service or a range of opportunities for people to learn; we need to make sure the skills and training provided to them is appropriate to them and in that sense that's what exactly what we are saying with information technology and social enterprise: should we be publishing glossy brochures and should we be distributing examples of best practice? I think, frankly, we should be doing the latter. I will reserve judgement on whether we should be doing more. I think there are already a range of very powerful examples we can draw on and that covers the whole range of what we traditionally regard as local government services; things like Greenwich leisure, intermediate training organisations like the Wise Group in another part of world and actually a range of very small organisations as well. I think there are some good examples. What we need to do is not just champion them, it is to move the conversation on from there in terms of how we actually reward them. That is one danger with best practice. If you do think it is particular attributes of leadership which are prevalent in the best companies and prevalent in the best social enterprises, how do you create a culture that generates more of those people, gives more of those people not just the skills but the aspirations to start those kind of organisations? So in that sense I think that's certainly true.

One area I think the conversation does need to develop, is around the idea of innovation in our public services. In Government we spend a lot of time talking about both devolution of power, devolution, for example, in the Health Service, and the need for innovation in the public sector. I think we have to be honest and say also that people look to the public services to provide a degree of stability, in the sense that there are quite serious and important conversations to be had

about the allocation of risk. So, for example, if you had a school that went bankrupt there are some pretty angry parents and you have a lot of MPs jumping up and down and saying why were you happy to have this is an example without having made provision for the fact there can be difficulties.

I think that bears on the final point I would make about responsiveness and accountability, Those are words that are easily thrown around in a meeting like this. How do you establish responsiveness to local communities but also where does accountability lie within the social enterprise model? I'm certainly conscious social enterprises have a role to play but I think you can't expect that just because an organisation is a social enterprise that those questions don't need to be answered and in that sense I think there is an important conversation to be had.

The final point about monitoring, I would certainly agree with that, it is one of the reasons I'm so glad the Social Enterprise Unit is within the DTI. I recently had a conversation with two of the directors of the Royal Bank of Scotland, possibly the most successful British clearing bank at the moment, and they said, "You have no idea how much our credit managers learn from working with credit unions." They have to make judgements on a daily basis that far exceed the rigours of the corporate banking sector with which they are familiar. In that sense, I think there is genuine, real scope for two way traffic in terms of imparting business skills to social enterprises, not just in some of the social skills but business as well.

**ANDREA WESTALL:** Lots of people want to say something. I will take another three and then open it out into the general discussion. Just to warn you, I started writing down a few ideas for social enterprise as I was going along and at the end of the day I will go around and get a comment on the day, but also, you have to think of one new idea for social enterprise to end the day with. The pressure is on. I think it was Ray, Jonathan and Leslie.

**RAY SHEATH:** Addressing the two points on the enabling environment. First of all, there has been a lot of talk about scale and the assumption that you have to

start small and have to grow. That's an assumption. What you also need to think about is how you transform existing organisations that are already at scale to whatever the social enterprise form is. I'm thinking of private enterprises from the private sector, charities and so on and there are ways and mechanisms to do that. So in terms of an enabling environment, thought should be given to that as well. You take people out of the private sector, take the shareholding away and create another form. The same applies to charities, some charities shouldn't be charities; they need to transform from charitable status to another status. This way you get to scale. You don't have to start small and grow because everybody knows that starting small and growing is a horrendous problem, absolutely horrendous. It is true in the private sector and true in any sector. That's one point on the enabling environment.

The second point on the enabling environment is to support Tom McNally's point of the DTI disgorging some money direct to social enterprise as gift capital, the point made earlier on. This is something the DTI could be really, really effective in. We are not talking 5, 10, 15, 25,000, but 100,000; put half a million into social enterprise as gift capital - and gift capital is a well-known historical mechanism.

The third point is on making social enterprise effective. There is something people sort of recognise around the table but really haven't got to grips with. There is something different required in the culture and the mindset of this thing called social enterprise and to say that, you know, to try and say, "Well, the private sector knows about management, knows about efficiency, is a myth". I did 25 years in the private sector; I can tell you it is not necessarily efficient, it is not necessarily effective. Some things are worthwhile but it doesn't have a monopoly of that. The same applies to the voluntary sector and the charity sector. They are appallingly managed in my experience and they also don't have the answer to this. So something new needs to be created in the culture, in the mindset on this. Now, there are places where you can begin to find this. People talk about participation, they talk about partnership but don't really explore it in any depth. So it is just to point out that, you know, in this second point of yours, of making social enterprise effective and to talk about mentoring assumes the mentor

actually can bring something. What I'm suggesting is that they may not necessarily be able to bring something from the private sector, the voluntary sector, the charity sector. It may not be possible and something new is required and you can actually begin to find that if you do your research.

**JONATHAN BLAND:** The role of the Unit is really, really important. I talk to people from a lot of different departments and they are beginning to hear about things, it needs to really drive through and there needs to be enough resources to make that happen.

From my experience working in Spain for five years, we have got a very devolved regional economy with regional parliaments, with their own powers and competencies to make law in some areas. The legal and regulatory framework is very important for social enterprise, both at that autonomous community level and in terms of Spain's national state. There are a whole load of tax and fiscal measures that can support, linking in with the idea of gift capital. What we don't want is revenue subsidies for social enterprises but in many cases we do need an injection of capital to get things going and there are very innovative ways on the continent of capitalising unemployment benefit and there are also regional government grants that have helped lots of social enterprises get going. That then takes you directly to how do we get more sustaining businesses and the role of our own structures as they are developing here. With the Regional Development Agencies, some are warm, some cold and some have absolutely no idea at all. Now they are under DTI control, as it were, you have a wonderful opportunity to set some really clear targets and really clear provision for what should be going on. The same applies to the Small Business Service. David has done some brilliant work in terms of moving that along but again when you look at the business link franchises across the country it is a very mixed picture. If we are talking about building up the capacity to develop successful businesses, access to publicly funded business support is vital.

Lastly, in terms of the sector itself, I think we have a job of getting ourselves together and making the new UK coalition work and I think with a bit of priming

and on-going support from DTI we can be a big help in terms of that last area about public credibility, raising awareness and making social enterprise much more a part of people's every day knowledge, language and relating it to the solutions it provides.

**LESLIE BUDD:** I think it is a good thing, that is that the idea has come under the DTI. When you talk about it, it picks up Liam's point, when you talk about clusters, but that was a political ground under Hewitt's predecessor and it is also associated with R&D. What Liam was talking about was the important development of clusters, the sustainability of those clusters at that level. He also talked about the supply chain management. That has become a business in the FT every week. Again, it is separate. It is targeted particularly at construction. Some intermediate in the labour market, particularly upon agenda, but again they are not picked up at the moment. The other one is local network. Liam's talk at the conference was in the area where there are social enterprises. Some of the local firms don't know anything about it. Clearly, there is an opportunity there. They do become political grounds and, yes, you do have lots of programmes but it is how you exercise those functions.

I think the issue is in terms of English devolution. I think in Scotland, a lot of best practice is different, notions of social enterprise is a way in which you internalise external economies that generate it in building community capital, and I think that is important and it links in with the Small Business Service.

**ANDREA WESTALL:** Douglas.

**DOUGLAS ALEXANDER:** A few points there. I think one of the areas where the conversation needs to develop is whether Government should be funding as its first resort or last resort, in the sense that there does seem to be a curious disparity between, on the one hand, a view that says the essence of social enterprise is that we don't relate directly to them, we are not grant dependent and actually we have an approach to doing business which is reflective of that, with a

view on the other hand that says, actually, the role of the DTI in supporting social enterprises is that there should be a vast pot of money and it should then be handed out. I think were that line of argument to be followed you would face some pretty challenging questions in terms of what are the matrixes you use in terms of judging social impact, economic impact? In that sense, I almost throw the question back to you as on what basis would there be a serious offer made to the DTI that this was a way forward? Would it be on the basis that actually the essence of these organisations are more entrepreneurial and are innovative policy solutions which could not be achieved by the traditional public sector? Would it be that actually they are community capital in areas where traditionally the state has not been successful at doing that? Would it be that actually they are the most effective means of dealing with intermediate market challenges? Given the very scale of social enterprise work at the moment, I think the idea that social enterprises per se would have the call on that resource, obliges you to think what actually are the distinctive attributes we would be drawing to the attention of Government in terms of the allocation of resource?

Resisting making a cheap political point, I'm not altogether surprised that the Liberals are saying we should spend more money, in the sense that it is the easiest thing in the world for politicians to say, yes, we should spend more money. I think it is actually a more challenging environment for politicians to be in to say how can the Government act as a catalyst? That's not to say that in no circumstances should public resources be used but actually how that is you used and how you manage to use it in a sophisticated way is exactly the kind of conversation that needs to be taking place.

I think the point that was then made about how risk and difficulties are not unique to the public sector is an incredibly important one. If you look at some of with FTSE 500 companies and the difficulties they have experienced in terms of something such as catastrophic managerial error, the idea that the public sector in Britain alone is under a unique form of pressure at the moment is simply defied by the facts. We do face challenges both in the public sector and the private sector, not least in part because of rising public expectations. In that sense, that

challenges all sectors, be that the private sector or the public sector. I think in that sense you need to be honest. I don't think we should be starry eyed about the contribution one sector can make to the other; you need a hard-headed appraisal of where there are skills and attributes which can productively be shared across sectors. But part of the danger of a conversation like this is that you can move from the macro to the micro so easily and, in that sense, I would hope that the view there are basic business skills that can often be effectively injected into social enterprises and sometimes vice versa, which I think almost incontestably are of benefit to the organisation in then being able to take forward the day to day work. The more broad point though, which is fair, is to say that the idea that I would argue bedevilled British politics for almost 20 years of essentially saying the Government's only job was to abolish itself, basically private good/public bad, is now giving way to a much richer discourse about actually what is the appropriate interaction between all the sectors of the economy.

The point about devolution and the differences in terms of Spain I think is an important one, because it throws up a broader question, which is that while there is great virtue in terms of devolution in developing innovation, there are also still expectations of universal standards of service. In that sense that is a tension which I think you are best to be honest and to acknowledge, which is to say that even the language that is used around the RDA's and in the DTI control, actually a big part of the thinking around RDA's is that they control themselves in terms of addressing regional and local difficulties that are faced in the way that's most appropriate within that region. In that sense, I think some of our language and thinking has to move on to recognise that sometimes national governments are too small for some of the challenges that are faced and too big for others and in that sense I think the political language we develop in years to come will be reflective of a new relationship between the centre and the localities and in that sense social enterprises can be part of that discussion.

In terms of the networking, there is a point I should probably have made in relation to Tom's earlier question. I think social enterprises are very well placed

to be part of networks both at regional and national level. Just about three weeks ago I launched a website which is a register of social entrepreneurs across the country and there have been opportunities, not least with web based solutions, to actually make sure we see the exchange of best practice and ideas.

**ANDREA WESTALL:** Rita, Mark and then Patrick.

**RITA PATEL:** I just wanted to come in on the role of RDA's and regeneration. Certainly in the East Midlands we see development of social enterprises as being a key issue and a key objective that we want to target. We set ourselves an objective to have 4,000 start up of small businesses per annum over the next few years. We want to be in the top 20 regions in Europe. One of the most important things we feel is that social enterprise isn't the panacea to all ills and we certainly don't see it in that way. What we do see is the agenda for building community cohesion, the agenda for regenerating both the economy and also social regeneration, but there has to be a recognition that social enterprises have a key role to play within that.

The other thing is that through social enterprises we believe we can create a wider stakeholding both within the economy and within the neighbourhoods that exist. I think a business in a general sense has been seen as too narrow an activity, all of it existing in particular silos. Some of the things that we have seen as benefits coming out of the social enterprise culture, the kind of things we are trying to promote, is that the learning and skills agenda, the training agenda, is now seen as nurturing enterprise and entrepreneurial output right from a very young age and is very, very important. Certainly in some of the colleges within the East Midlands they are already talking about trying to develop and support the development of entrepreneurial skills on the 14 plus agenda. I think there are some examples in America where children as young as 12 have been engaged in programmes, particularly in the black projects, where the whole ethos of developing entrepreneurial skills and giving them some business acumen from that age has enabled, by the time they get to making choices about career and

employment, that self employment and social activities in social enterprise becomes a real option. I think that's something we need to look at in this country, about how is it when we are talking about connections, when talking about neighbourhood renewal, talking about building cohesion, how is it we can enable this strategy, this thinking, in order for us to deliver on some of those objectives?

**ANDREA WESTALL:** Mark.

**MARK SESNAN:** I have three points: one is a whinge, one is a challenge and the last one just a thought. The whinge is about Liam's point about Government getting involved and to date my complaint about this industrial problem of society regulation having being switched to the FSA: a nice tidy up mechanism. It moves from the rather nice Treasury people, who understand what we are doing, to the FSA people who kind of fight major wars with huge capital and I'm not sure they understand the sector.

The second one is the challenge, which is twofold really. One is about how we release the managers who are there. We have got good managers, how do we add that extra chip to them and free them up so we can create these social enterprises to go on at deliver good hospitals, good schools, leisure services and whatever. The other side is - I'm sure Douglas knows this all too well - the issue of the trade unions (and it is a pity Dave Prentice wasn't here) but how are the trade unions seriously going to contribute to this, or are we going to see public services dismantled and handed over to the private sector wholesale just because there is no public sector or third way solution available. With regards to facilitating social enterprise and entrepreneurship, I'm not sure you can do that in the purest sense. If you make it too easy you are going to get people who will find it too easy to get in, they might not be the right people to be entrepreneurs. An entrepreneur is about finding the challenge and breaking them down. The reason we are social entrepreneurs, we have proved that we can do that; we have had to overcome barriers and, may be it is a bit masochistic, but entrepreneurs find ways round things and if we make it too easily we could end

up with people may not know what they are doing and make a mess of it and bring the whole credibility of the sector down.

**PATRICK LAW:** I want on to comment on this interaction, if you like, between social enterprises and large business, which I think a few people have picked up on here. The first thing to say is that certainly in my organisation we are not interested in telling social businesses how to run their businesses. We are extremely keen on learning something from social businesses and charities and I can give you some specific examples. The welfare to work examples I gave you earlier about employing people from non-traditional sources; that is difficult for traditional companies to do. Traditional companies need partners to source those people and to work with them to overcome some of the barriers that might be put in place. The particular areas we dealt with were carers and people with disabilities. There is another area as well. I mean, Centrica probably has more customer relationships than any organisations (other than the Inland Revenue, I suspect) in Britain. One of the issues, and it is a growing issue for us, is how do we provide services to diverse and minority groups. It really is beginning to be quite an interesting issue for us because we have talked about excluded people but actually there are some real markets here as well. We would like to tackle those markets, whether they are the elderly groups, disabled people or ethnic minorities. We are certainly not interested in ignoring them. We are interested in expertise so, in a sense, what I would like to do is throw down a challenge, say, look, we could be a buyer of services here. I would say to social enterprises, don't ignore selling those services to business, because if you sell those services to business and you have an impact on them, the point Liam made, the multiplier effect of that is very significant.

One final hard example. We are one of the largest suppliers of alternative media to people with disabilities. Now, we have a great deal of difficulty sourcing that expertise and producing those media, and if there was an organisation out there who could provide that, there are many, many companies under the Disability Discrimination Act who are looking at this as a big issue and that provision

should have grown and I see that as an interesting area for social entrepreneurs.

**ANDREA WESTALL:** Douglas.

**DOUGLAS ALEXANDER:** Thanks. I was quite taken by the description of businesses traditionally being too narrow because some of that is my experience in the constituency. A lot of people would move into the social enterprise sector who wouldn't immediately consider setting themselves up in business. Partly we have to be honest about why we want a productive and successful economy. It is not only that it adds to material wealth, but that it gives a huge number of us a sense of purpose, a means by which we project ourselves to the world. To that extent, the opportunity within deprived communities for people to be able to experience that sense of fulfillment, that sense of achievement, that sense of self-actualisation within organisations is incredibly important. We can make speeches saying we want less benefit offices and more businesses in constituencies. It is not just about compensating people for poverty but giving them a means by which they can earn a living. Also we have a genuine belief in the capacity of that kind of activity to be a means by which people can liberate their own potential. There are examples in the country that vindicate that view. One other point that came to mind, talking about colleges and skills schools. One of the most interesting areas where there has been a very fundamental change post-devolution in Scotland, is in the degree to which adult literacy and numeracy has been removed from the further education sector, and it is for a very basic reason, that actually if you have difficulties with reading or writing in my constituency, probably the last place on earth you want to go is to the local FE college, whereas to walk into the local community centre and have community sourced learning opportunities is actually a far, far better invitation for people and has had a far higher level of success in recent years.

In terms of our response, I have heard the points you have made in terms of the FSA. I will probably concentrate on the final point about the trade unions. I do think we face a fundamental challenge, which is either we modernise our public

services from within or watch them being dismantled by people who oppose them from the outside. In that sense I can see people thinking there are no great causes left, all political parties are the same. I think you only need to look at the approach to something like the Health Service to see there is a big, big gap here and a fundamental difference in terms of the idea of a National Health Service being a point of need, being available to all. In terms of the working definition that is used by some of our opponents you will know that they now always avoid saying the point of need, which basically means that there is a very real possibility that we run into a situation where you have, on the one hand, a view of the Health Service that has been traditionally held and you get consensus across the country and, on the other hand, a view that says the kind of American Medicare system is the way to go. That is not for a minute to diminish the scale of challenge we face across the public sector in terms of meeting rising expectations of the public in terms of levels of service they enjoy, but that's certainly a challenge that as a politician I relish. It is one of the causes I think worth fighting for. In that sense, the trade unions have a key role to play in making sure that, as many of their members employed within the public sector recognise, this is now actually a very profound challenge to the very idea of what we owe to the public services.

The final point I make in terms of Patrick's point takes me back to where we started, mentioning how we tap into those pools of labour market. One of things that has been significant about the New Deal, in the first instance it was an effective means of assisting people who through effectively structural unemployment found themselves to be unemployed and actually, certainly in my own part of the world, what we now notice in terms of the client group that is being dealt with, is that they have significant issues, being those issues of drug dependency, basic skills, literacy and numeracy. The need for an intermediate labour market response is therefore greater, because they are a challenging client group who need specific skills in terms of equipping them to be job ready and in that sense it is, again, a powerful argument for saying Government has a role to play. But it needs to be an intelligent and appropriate role if we are to

continue the massive progress we have made in terms of getting young people back to work and also long-term unemployed people back to work. The nature of the challenge that we face in the public policy response that that demands I think has changed over the five years since 97.

**ANDREA WESTALL:** I'm going to get into huge trouble for not addressing the agenda we were supposed to address in this session but I actually think that was a brilliant overview of all the issues. Douglas, thank you very much for addressing all of that because a huge range of diverse questions and a very challenging audience to interpret.

**DOUGLAS ALEXANDER:** I'm acutely aware of that.

**ANDREA WESTALL:** But many thanks. Sorry you have got to leave, but thank you very much. I think one of the questions that has been set, which probably is a good one here and leads into all the discussions on public service delivery, particularly because there is an issue here about if social enterprises are to be a larger part of the public service delivery agenda, is there a sense in which this is actually about preferment, is this actually about preferring social enterprises in certain areas because of some of the qualities that they propose to bring to particular agendas, or is it about broadening out the range of different providers and the market, in a sense for provision, so there is a much more diverse set of providers aiming to address different issues.

One of the things that has come up in the States and may come up on the agenda here because of the broadening out of this agenda and the way Government may have to tackle this, is actually that small business administration has been concerned because a lot of the not to profits have tax incentives so they are seen as having an unfair subsidy for delivery. So when you get into these discussions there is a problem there. So this a question which in a sense has been set for this agenda, which leads on from where we have been, around presuming social enterprise will become a broader part of public

service delivery. What are the implications of this, particularly relative to other providers and how might we address this? Barbara, would you like to start?

**BARBARA PHILLIPS:** I just wanted to pick up that US point because I was part of a recent visit to the west coast of America looking at social enterprises. This was one of the issues I was particularly interested to explore with them, how much trouble did they have with the mainstream businesses thinking that they were unfairly subsidised? One thing that came across time and time again was this: that social enterprises are not looking to have the playing field tilted in their favour; what they want is for the totality of what they did to be properly valued. They made the point that you have to be extremely entrepreneurial when working with client groups, some of them homeless people, very often with alcohol addictions and other problems. You have to give a totality of supports to people. As one person put it, it is not enough just to provide skill, you have to provide skill, a job, a support and a home. There is a social cost there and what they say is this: that by having tax incentives, seeing social cost taken account of, they then, absolutely all of them without exception, said we then compete in the market place on a level playing field on quality and price and service like mainstream providers. That was their take on that.

**JAMES SMITH:** But none of them actually did. They said that but they didn't. Several of the organisations we saw in Seattle were working on soft contracts from Boeing which was providing them with at least 20 per cent of the market rate they would have got for those jobs. So despite the fact that they claimed they were competing on quality and price, they weren't.

**BARBARA PHILLIPS:** But the point I'm trying to make here is that in this country we don't have special tax incentives for social enterprises, so I think it would be quite paranoid for mainstream businesses here to worry that social enterprises are going to steal away incentives because some of the market sector has got some grant funding and so on that gives them a slight advantage. But I think we

have to get this in proportion and I think we should deal directly with the concerns of mainstream businesses where they are valid. But I don't think we should allow it to become a big, out of proportion issue, because it is really is not a big issue.

**DAVID IRWIN:** Just a very brief point on the tax issue really. First of all, any trading organisation will get taxed in this country once its trading goes over a certain percentage. Secondly, actually there is no difference between the non-profits distributing model and the full profit model because you are only taxed on the profit. If you reinvest all the money back into the work of the business then even if its a full profit business you wouldn't get taxed on it because you reinvest it back into the business. It is up to them: they can either give it away to someone else to pay the tax on it or they can reinvest it

**ANDREA WESTALL:** Liam, you may want to say something about this

**LIAM BLACK:** We do part of the waste management in the city and the City Council very cleverly joined up some of their doing and their thinking and said, "We want this service delivered in this particular way now, which isn't just about collecting that waste, it is about joining up with our regeneration agenda. We are prepared to acknowledge that in the price that we pay and any company could apply for that". It was advertised. So I think that whilst there are issues about SME's getting upset about the tax breaks we get and the free money we can get because of our status, our ability to demonstrate the added value that we bring is the answer to that. Building on the links between the so-called not for profit and the profit world, I would love to see a situation in which the procurement by the state of badly needed services creates new alliances. I would love to bid with Onyx. We go in with Onyx and they do what they are really good at and we do what we are really good at and we both benefit from that and most importantly the city benefits. That will take a level of cleverness and joining it up that we don't see a great deal of at the moment in the public sector.

**LESLIE BUDD:** I think one has to be careful. Going back to the States, the tax incentives in the Urban Renaissance Report, the Urban White Paper, they got it wrong in the States. There is a whole galaxy - if you think of things like the Federal Mortgage Corporation in the States; it is federal run, it subsidises things like mixed income neighbours. The answer is in the whole complexity of tax regimes here and in the States. There is a danger you take examples from the States and work with particularity when you are not aware of the whole range of things there. The issue about tax credits for small businesses, they don't work because the tax system is asymmetrical; you need profits to get the credits, but you need the investment to make itself more hi-tech in itself. That's something of a general taxation issue and social enterprises shouldn't be attacked for taking particular advantages of the tax system where - what Barbara was talking about was a form of general taxation and I'm sure new SBS's have these problems.

**ANDREA WESTALL:** What we are going to do for the last session is to look at social enterprise and looking forward, so looking at both learning and opportunities from outside the UK as well as picking up on Liam's point particularly about the learning from different sectors and how this can take us forward. On the international side, if anybody didn't know about this, there is a very interesting website on social entrepreneurship that is a sort of partner to the World Economic Forum and they have some fabulous examples of international social enterprises and social entrepreneurship, which throw up examples of things which, in a sense, are like outside some of the ideas we are talking about today or perhaps we have experience of in the UK. So there is a lot of places we can look to and learn from new examples.

We are particularly lucky because a few people here have just come back from the States, specifically with the view to going to learn from what is going on there and whether or not we are learning from them or are we actually taking this agenda and doing something new, different and possibly even better than they are? Obviously, a lot of this language partly arose from the States but is it about learning from them or it is a two way learning?

So to kick off, if somebody who was actually on the recent Cat's Pyjamas trip wants to start off talking of their own impressions of going to the States and what is going on there.

Liam?

**LIAM BLACK:** Yes. We took 20 people from a range of organisations, social enterprise units, social entrepreneurs, people running social businesses, some people from RDA, and visited half a dozen social enterprises, quite big ones, millions of dollars, in San Francisco, Portland and Seattle and had a packed week. It was a great week.

The thing I noticed is that the environment is very different there. I thought we were going to see real cutting edge and, you know, miles ahead of our thinking and they are not. They are struggling with some of the same things: how do you get people who are able to run a sizeable social enterprises that are able to balance the double bottom line tensions of running that commercial business at the same time as supporting ex-convicts or homeless people and so on? Clearly, the big learning for me was, you know, the real focus on the business, even though in some aspects I agree with James that some of our social enterprises here are much more trading enterprises than we saw there. What was particularly interesting was the scale. One of them in Seattle, Pioneer, which particularly impressed me, over \$50m, 1,000 people, very ambitious; that did inspire me in terms of meetings like that. It bogged down in a lot of the very important policy stuff but, you know, whether it is a private company or a so-called not for profit, it comes down to the people who have got the passion in their stomach to really go for it and make the best of whatever circumstances they are in. We already touched on some of the issues. There is state legislation which will set aside contracts for organisations that work with, for example, disabled people and there is a tax regime there that does encourage the not for profit that we don't have. Whether that would work for us here I don't know really.

**ANDREA WESTALL:** James.

**JAMES SMITH:** I think the interesting thing for me was that, I was going to find out about what the potentials for the growth of social enterprise are and the issue of scale that David mentioned. One of the questions in my mind was is there any reason why Microsoft couldn't have been a social enterprise and couldn't have operated as a social enterprise? I think I came back pretty clearly with the answer: no, it couldn't. But it also confirmed me in my belief that social entrepreneurs are people who decide what objective, what change they are trying to make in society to improve people's lives and they see organisations as vehicles towards that change. The reason I say that is that these organisations we saw, they were all taking advantage of whatever opportunities existed, whether that was a company that was prepared to give them a better deal than they would otherwise get, whether it was a law that worked in their favour or whatever it was. They were using, I think the interesting ones, the most interesting ones as far as I was concerned, were using a mixture of business solutions and charitable and social service solutions to the problems of the areas and the communities that they were working with in the way that social entrepreneurs do in this country.

I'm thinking particularly of Flax Trust in Belfast, our partner organisation, delivering programmes for social entrepreneurs in Northern Ireland. It is a £60m a year turnover business and they have everything there. It is built in an old flax mill right on the front line. Two-thirds of the murders that have taken place during the troubles have taken place within half a mile of where they are. They have got - you name it, they've got it. They have a housing association, a foyer, sheltered accommodation for old people, a community gallery, a pub, they built a shopping centre because there wasn't one in the area, they have a community health centre, they have got small business units and training for unemployed people and they just kept going and kept going and adding and adding and adding, always leveraging what they had to do something more. They had a completely mixed range of funding for that and that's the appropriate solution to the problems of a disadvantaged neighbourhood. There isn't one a solution, it is a

whole mix and what is important, what is important there and what was important in the organisations we saw in the States is that the people who have led these initiatives have got the right attitude to what they are doing.

**BARBARA PHILLIPS:** I'm in agreement with what both Liam and James have said. A couple of things amazed me. The first was that I was told by two of them that because they are legally not for profits the small business administration in America is legally barred from helping them. It just struck me as amazing. I thought at least that's one thing we've got right.

Secondly, although it is absolutely true that a lot of them owe their success and their scaling up to philanthropic customers or benefactors and so on originally, when you ask them why they had turned more and more to trading, they had the same reasons people had here: they wanted to be free to decide for themselves what they did, they wanted to be able to be responsive to their client group, they wanted to be able to make decisions quickly. It was quite interesting they had the same kind of spirit. Going back to what I was saying earlier about the definition of social enterprise, to us social enterprise is about mindset, about an attitude, a set of characteristics and they had that in common, I think, with what we are working to see more of here.

**ANDREA WESTALL:** David, I know you have been to organisations in the States as well.

**DAVID IRWIN:** Despite the fact you started off by saying you were not sure if you had learned a lot, it seems from your brief feedback that you learned a great deal.

**LIAM BLACK:** I certainly learned different things than I expected to learn.

**DAVID IRWIN:** Liam and I were talking over lunch because I visited the Council in Oakland just across the bay from San Francisco way back in 1984. It was the

equivalent of the Council for Voluntary Services in the UK. They do some amazing things. They started off building a building they would let to elder poor people because they came with a federal grant to pay their rent for them. They then sold the depreciation on the building to a large for profit, so they get cash back for the depreciation, which as a not for profit they can't get and obviously the large for profit gets the depreciation offset against its tax. They then used that capital to do a second building, gaining a bigger capital base. They then built a cafeteria and, again, because they weren't stupid, targeting people for lunches where they were actually coming for benefits so someone else was paying the money for the lunch. They then began to do more interesting things. Trading locally and they took over the Union 76 filling station in the middle of Oakland which had become derelict so they could both train people and at the same begin to provide services. Actually, very entrepreneurial in the way they were trying to fill clear gaps. What I think was also important about it was that none of those would have been filled by full profit businesses because none of them could see how they would make any sort of return on it at all, yet they were doing it, essentially through trading.

**SHAUN SPIERS:** Credit unions in the States and in Ireland, where they have a big electoral lobby, get preferential tax treatment, one of the questions is should we try and get it for credit unions in Britain? For what it is worth, I don't welcome going down that road, because it seems to me that the credit unions in Ireland and the States spend an awful lot of their energy defending their tax status and I'm not convinced it is worth that much to them. With 0.4 per cent of the British population in credit unions compared with 50 per cent in Ireland, we have not got a head start getting that preferential treatment but even if it was offered to us I'm not sure we would go down that route at all because, as I say, it is just a distraction, for us anyway.

**ANDREA WESTALL:** Anybody else have any thoughts they have learned from overseas or examples for overseas?

**JONATHAN BLAND:** From my experience in Europe, in Spain, Finland, Sweden, France, Italy, across the piste really, I think there are two things that strike me. One is the scale. We have quite a big and well-developed charitable sector, a lot of voluntary organisations who traditionally come at it from a helping others worthy on high kind of approach and also from grant funding, not doing business. There has been a move into the business side and then a co-op sector with a lot of roots which has reformed itself. But in terms of the actual scale about what is being delivered outside retail, it is minuscule compared to other parts of Europe. Within that scale there are lots of examples that we can look and learn from. When I worked in Spain there were cooperative schools of all kinds up to university level education. There were various kinds of social services being delivered. Also socially enterprises as structured as conventional businesses but providing employment with a value system very different to a capital based business, so manufacturing glass, making furniture, you name it. They fit into the local trade sectors within the economy there.

The other side of it is around the development models and I think there are things we can learn. There are things that people in Spain would have liked to apply if perhaps they had been able to, particularly in relation to social services, you know, the development of a large number of monolithic organisations with hundreds and thousands in terms of employees, but not necessarily members involving people in the delivery of those services. That was partly to do with the contracting regime, partly to do with the employment law and the cooperative law. When you compared that to Italy, you had some very interesting models of development around Consortia, the Italian social movement; their philosophy is small is beautiful but in a big way. Using the Consortia structure, you group together maybe ten small social enterprises who are able to bid for joint contracts, public procurement agenda, able to provide various back office services, accounting, payroll, training, a whole range of things that for us, though we are not starting with a clean sheet, given that we are looking at it afresh, are things we can do around the business development side. I think we can learn a

lot from Europe as well as the States.

**ANDREA WESTALL:** Any other thoughts or ideas on this?

**LIAM BLACK:** I think we found that, you know, some of the thinking that is going on in this country around social and environment auditing is as good if not better than what we saw.

**JAMES SMITH:** Definitely better.

**BARBARA PHILLIPS:** I was very struck, I know that the ones we saw were big, 22-55m, that kind of turnover, but they had a professionalism about them and weren't ashamed to go out and recruit good people and pay them decent salaries. They didn't think because they were a social business everyone had to work in a tatty, shabby environment. They respected their staff and wanted the staff to do a good job with the customers. That's very important. One thing that sometimes saddens me as I go round is how depressing the environments are within social services. It is not good enough, people should be allowed a good working environment, you shouldn't have this view that if it is a social purpose how it would be wrong to be a nice place to work. That was really quite important. One of them in particular had gone through a very difficult period and was coming out of it, but they had to actually pay the money to get decent people to marry the money and the mission, because if they didn't get decent people in and decent business people in to marry the money and the mission they would not be able to trade their way out of the problems they were having.

**STEPHEN HARBIN:** That's very interesting. The fact you even call a social enterprise a business or a charity, they are both social to some respects and you are able to sit between the two, but all of the lessons that made us successful, although we are still young, are from business, not from charities. So if you look at 'youreable' and how we are operating, we have a unique idea, which is

effectively a set of market theories for disabled people, but we have venture capital investment. We have got that venture capital investment by promising exceptional returns to venture capitalists not lower returns or non-profit. We have an idea in a big and growing market. We have partnered with people, businesses and charities, both of whom have a set of assets so we run more efficiently, we create those assets and offer all the venture capitalists an exit. Indeed, we are listed on the stock market to provide some with an exit but also to increase our ability to raise more money.

If I was looking forward at what will create great social enterprise in the future, there are lots of different models that would be successful, but I would love to see things like the National Lottery not investing in charities' operating budgets but placing venture capital investments in social enterprises, where they are required to give a return on the investment. I would like to see investment tied and pay in charities, for example tied to the success of those individual charities. I would love to see our first case of a fat cat director of a charity earning too much because he has delivered such a wonderful social venture, effectively. I think the real lessons do come from business because business is generally more efficient than the charitable sector, historically. I don't think there is a right answer.

**ANDREA WESTALL:** I would like to say on that, I think that just that little discussion we had there which was quite small just shows the amount of idea and learning that do happen when you draw from elsewhere as well. Sometimes we tend to be looking quite inwardly. There are so many fascinating examples out there, it just kick starts other ideas and James's point about what is the issue we are trying to deal with and how do you marshal the resources to address that, is the key starting point. A wise example I will give you that came from the World Economic Forum Social Entrepreneurship Awards was somebody who was addressing one of the big issues, pharmaceutical access within African countries and this whole dilemma and how you can create social enterprises to deliver at appropriate levels to some of those markets. A huge challenge that was

operating on a massive scale and actually said to anybody who wants to listen and take notes, Barbara particularly, how much money it could save the NHS. Just thinking through another market, another way. Loads of areas.

**LIAM BLACK:** The other big learning for me in the States was the conversation that went on between the 25 people on the visit, which is why these kind of forums are so important. Because we do need to spend time working out that we are talking about the same thing and to generate new ideas and recognise the difference and diversity of thoughts really. So often you have a snatch of good conversations that happen over coffee and switch off a bit when you going and listen to the same old people like me at these conferences.

**ANDREA WESTALL:** The second part of the discussion that was supposed to happen now and is quite important, I think, is this partnering with the private sector and learning from both sides and the kind of examples that have cropped up around the table of where this has been effective, both in the way of, let's be clear about this, trying to alter the mainstream business behaviour, but also about harnessing resources and creating some sustainable solutions. So who wants to kick off with that? James?

**JAMES SMITH:** I want to kick off with a problem there, because there is a massive Catch 22 that the vast majority of businesses are not that interested in engaging with these issues, they are not that interested in engaging with social purpose organisations, whatever stripe. Amongst those who are a lot of them are in an old mindset, 'They are going to be coming to us with a begging bowl', whatever, so they have this paternalistic idea, 'We have got some resources we can give to them'. For the individual social entrepreneur, the dilemma is do you go in and try and challenge their perspective or do you go and take the money? Obviously a lot of social entrepreneurs go in and take the money because that's the easiest thing to do and they can then get on with whatever they are trying to achieve. Their primary purpose is not to help businesses understand the world

better, their primary purpose is to help communities, whether the geographical or communities of interest that they serve.

**BARBARA PHILLIPS:** We had a really interesting conversation at lunchtime and the point we were in agreement on is that there is a role for big business. We certainly saw it in America, the philanthropic customer role, the straightforward gifter. But what is important is the nature of this relationship and if the company gives something, whether time, money or pro bono services, whatever, to an organisation that then uses that to build self-sustaining business, when times are hard and that big corporation cuts back on its peripheral budgets, therefore that budget will be affected, that organisation is not going to go down the pan, as it would if it is a straightforward charity, it would have become self-sustaining and can survive. It seems to us if you can get the relationship right between big business and organisations you have a very powerful link for the future.

**RITA PATEL:** I think one of the things we have been able to do that lots of organisations have not been able to do is that when we engage with businesses, the baseline is they come into our territory on our terms and if they don't like that then we don't want to do any kind of deals. It is easy for people to give a cheque for £5,000 and have their photo in the local press and walk away. What we say to them, what we want from you is an on-going commitment which says that you will explore trading opportunities with us which will enable us to earn on-going money for ourselves; you will explore opportunities, not just for you to invest in your own staff by sending them to us and so, you know, they have work experience. But you will recognise not just the profile but the investment you make within your own customer base by actually investing in us as a community organisation. Actually some of us, giving a simple example of a retailer in a local area who employs from the local community, who then actually seconds people to work alongside us so that those local people are having an input into the local community project and at the same time are able to develop skills which enable them to get somewhere within the management hierarchy of that organisation,

help them with progression roots. What that retailer didn't recognise in the first instance was the goodwill that that would spread within the community for its own profile. They didn't necessarily take that on board in a serious way. Over a period of time though, that is becoming really clear, that is what it is doing for it and it has encouraged it more.

I think the organisations that we have seen who have been able to make real use of business input are the ones who have been able to decide for themselves where they want that input and to what levels and insist that that relationship actually is based on an agenda that they are setting. Lots of businesses don't want to know, they want to walk away, they are not used to those kind of power relationships. I think that where organisations like Business Link have come into that is in actually brokering and achieving an understanding between businesses and what we are trying to achieve. At the end of the day, not everybody will see it in the same kind of way but we recognise as an organisation that we want to be smart in the way we operate. But it is not a choice that we have. Our communities desperately need it because if we don't deliver they ain't got anybody else to deliver for them. When you are faced with those kind of issues it makes you, perhaps, take a real hard look at your own organisation and what others can bring and make the deals, make the partnerships that perhaps otherwise you wouldn't have made.

**STEPHEN HARBIN:** 'Youreable' has grown very quickly, specifically because it has partnered with 17 charities and set up major, major businesses. The reason it has done that, like any other entrepreneurial company, effectively, is because those partners have the assets to help us succeed and it is massively inefficient to start recreating assets, whether that's access to customers, skills within the firm or any other reason.

When you are partnering you have to offer something in return, because if you don't offer something in return it is an extremely inefficient way to run a social venture, because you have to re-acquire a new partner every year when they divert their attention to help another charity. So we tell every single company,

effectively, don't give us a donation because that's why we'll go out of business because the costs of me selling to you again next year will be too high. If, however, we enter into a business relationship you will be coming to see me next year and that's actually quite cheap for you.

**JOE DOCHERTY:** I think the idea of corporate alms giving as what the community wants is now past the sell-by date and companies are more and more sophisticated. It is no longer a case of bumping into a chairman at a cocktail party and getting £50k for the scout-hut or whatever. You come to us for one amount and we won't do it, we will try and clear five years, try and make it more sustainable. It is always going to be just that. It is always going to be related partly to the conscience of the organisation, partly through your licence to operate within the communities you are working in. It is going to be at the margins. That's not going to actually go to the scale of social enterprises in the country. You have to tie it in to self-interest stroke through to partnerships, trying to bend that self-interested into the operations you are undertaking. An example of that, we give about £30m a year, 1 per cent of our profits to - terrible phrase - but good causes. Last year we invested about £120m to joint ventures, lending money to individuals and companies that couldn't get straightforward bank finance because we are actually expected to make a return on that money. Scale is just a different quantum. Corporate social responsibility will always be at the margins of activity. The key is to tie into the core activity of any business.

**PATRICK LAW:** Very briefly, essentially we are looking for partners to help solve business problems we have got in dealing with particular groups so if that can be achieved there is a business benefit from it and it becomes a self-sustaining business. The community fund is important and can sometimes kick start activities but it can never be a substitute for the way in which a business performs its core activities.

**ANDREA WESTALL:** Okay, this is the bit where we should get great ideas

coming out but to make it easier you can either do one of three things. One, something new you have learned today, so you are not allowed to trot out the hobby horse that's always there. The second one is an idea for galvanizing all this energy and resources and moving forward. The third one, if you have had any ideas, any good idea for a new social enterprise that is addressing issues that have not been tackled yet. So as briefly as possible but as innovatively as possible. Let's go round that way in order. Barbara.

**BARBARA PHILLIPS:** Well, I feel because I'm in the process of developing a social enterprise strategy at the moment I would actually like to listen.

**ANDREA WESTALL:** That is not an option, I gave three options and that's not an option. Let me read out Tom McNally's because he is not here and it will give people, including Barbara, time to think of an idea. You are not off the hook. Tom McNally's idea, which was my idea, exclamation mark, was: top of the Government political agenda is dealing with crime, vandalism and drugs, particularly among the young. There have been cutbacks in youth services, playgrounds, playing field provisions. Is there a role for social enterprise for providing sports grounds, particularly in inner cities? Could that be linked with professional sports? You can see where he is going with this nice idea. Sport based social enterprise providing services to LEA's whatever, the kind of thing that Mark is doing. That's Tom's idea. Patrick?

**PATRICK LAW:** The thing I have learned today, tremendous diversity and, in a sense, real firmament of ideas and I think that's tremendous.

The idea may be slightly controversial. One of the things we have been experimenting with is benefit health checks because we are having to deal with the issue of fuel poverty as an agency, if you like, working in collaboration with you. One of the issues that we think is of real significance in dealing with this issue is the lack of benefits take-up. We have begun to experiment internally, quite unusual for a PLC, to try to run benefit health checks for clients who come

through certain schemes that we run. The average benefit uplift that we have discovered for people that are not claiming what we found they should have been claiming, is £20 a week, about £1000 a year. That's a very substantial sum of money. The idea was this: a social enterprise is created that is dedicated to uplifting the benefit take up rate and takes a proportion of the client's benefits by liberating that money.

**RITA PATEL:** That's a businessman's solution.

**PATRICK LAW:** If there is 10 per cent, whatever it is, in the first year, that may possibly be an option a social enterprise might want to look at.

**JAMES SMITH:** I don't know if this is a potential social enterprise, but I think it is potentially something that needs to be set up, so if anyone can answer for me how you turn this into a social enterprise rather than a grant funded organisation, let me know. When Douglas was talking about the social enterprise sector contribution to policy objectives, I wanted to ask the question of whether the DTI – perhaps Barbara can answer this - regard social enterprises and the social economy as having any relationship to participation in democracy and the whole agenda about re-engaging people with politics? Because, as far as I'm concerned, this whole sector is participative democracy at its best, people taking control of the issues that influence them and the people around them. So it seems to me that there is a possibility for an organisation that's helping to create those connections in people's minds. But how you turn that from a lobbying group into a social enterprise is something I need some help with from some of the more business minded amongst you.

**ANDREA WESTALL:** Not now but later. Shaun?

**SHAUN SPIERS:** I said earlier that credit unions are social enterprises and I would just like to clarify that I was not at all criticising social enterprise. Although

credit unions are social enterprises, generic social enterprise solutions are likely to be inappropriate because credit unions are financial co-operatives regulated by the FSA from 2nd July. There are about 50 out-standing credit unions in the country offering affordable loans, a means of saving, forms of insurance and so on which is filling a gap in the market. On the other hand, there are about 300 credit unions in the country that are absolutely tiny and that will struggle to cope with the FSA legislation, set up by local authorities largely as part of an anti-poverty strategy. Unless something is done about these tiny credit unions in the next couple of years we'll face a drip drip drip of credit union closures that will damage the very effective credit unions there are. What is needed is a challenge fund from the Government to sort out the problem that was caused by public policy in the first place and facilitate mergers and expansions of those credit unions urgently. The means for doing that is really to divert money - you can get money from anywhere in the Government in theory – but there is a particular Government scheme, which is the Savings Gateway, which is offering to double people's savings up to £1,000, on the principle that there are no mechanisms for people saving small sums of money at the moment, although there are credit unions. So close down the Savings Gateway and provide a public sector solution, to a problem which was caused by the public sector in the first place, to strengthen the credit unions and then they can move forward as sustainable, independent financial co-operatives and not need another payment of state funding in the future. I have written to Douglas Alexander about this and I think he actually said no. I'm sure the Government will reconsider.

**ANDREA WESTALL:** Mark? By the way, If anybody is thinking, “Oh, I know the answer to that”, note it down and we'll come back to it. Mark.

**MARK SESNAN:** As far as something new, nothing new really. At lunchtime, Babara said that last November when she first came into this, when we first sat down and said “What are all these things about social enterprise”, the agenda was not moving. We had Lord whatever he's called this morning talking about the

history of it all and the reality of it is that it is all there, it is just for the taking. My sort of call is to say that we need to start looking much more at what we are going to do rather than who we are and navel contemplating that we are doing. As far as an idea goes, I quite like the idea of becoming the first fat cat social entrepreneur and if anybody can help me with that I would be quite pleased. As far as the new social enterprise is concerned, I do think that public policy could gel itself by sponsoring a state social enterprise of some description and it has to be in one of the controversial areas like the health sector or education. Let's get an NHS hospital in a PFI type regime to get the private sector working into it and look at a way of delivering a new structure, make it a model and get some of the best brains into it. Don't just rely on the existing people, experiment with it, and say we want to see if this can work and really try and go for it.

**ANDREA WESTALL:** Ray.

**RAY SHEATH:** Two observations, not particularly new but they have rather taken on some more body, if you like. I wonder just how much this is not just an economic agenda but a political, social and cultural agenda. All those three things. And unless that gets recognised it is not going to move very fast.

I think there is a great confusion about what the social purpose is. There has been some discussion about products and services and jobs and benefits for the community, but I don't think there is any clarity at all about what the social part of this is so I think that's an area that could benefit from some thought.

The idea is one that I have been really concerned about and that's one of scale. This huge sort of forest, this undergrowth of small enterprises just ain't going to go anywhere; we have got to deal with the scale issue. I was thinking as somebody was talking about one of the US things that we have Remploy in this country. It has a grant from the Government of 70, 80 or 100m, a turnover not much larger than that and it can't seem to get rid of its Government grant. It does a huge amount of work for disabled people and is now getting into the environmental agenda in a really, really big way in the recycling of computers

and washing machines and God knows what else. Does that come up in the social enterprise agenda? No it doesn't. They should be round this table. I'm sure there are other examples of who could get round this table and say this is not just about the single social entrepreneur working in the community; this is about a whole range of organisations. Unless we get the ones round the table to scale I also don't think we will move very fast. The idea is this: is there a way in which we can identify these potential, probably actual, social enterprises and bring them into this debate?

**ANDREA WESTALL:** Rita.

**RITA PATEL:** Two things I think I have learned. If we are talking about size, it seems to me it is important for some enterprises to be big, but bigger isn't necessarily better, because of the nature of the way in which social enterprises seem to be evolutionary in the way they come about. Is there a case for considering merging or creating federations of social enterprises in similar kinds of fields? Certainly, I see lots of benefits from the work on the ground we are doing linking up with other people doing similar things and maybe having a common asset base to be able to then go and deal with big operators, banks or whoever, for future expansion.

The second thing around the issue of social capital and social asset bases and the measurement of the product, other than just in monetary terms, other than in profits, it seems to me is really, really important. I thought maybe there were other people around the country who were further down the agenda than we were but I don't think they are and we really need to apply ourselves to this. We are not able to make a case as social enterprises of the impact we are having on the economy and the communities without coming up with some model for qualitative measurement. There is also a case for setting standards for social enterprises and it is not just about business standards, as it were. I think we need to get our head round that as an issue. What is it? What are the standards we think are important in social enterprises? Are there any? I believe that there are.

If we have got standards, how is it that we should be disseminating, making those available, enabling particular enterprises to actually reach higher and higher standards for themselves?

**ANDREA WESTALL:** Any ideas?

**RITA PATEL:** We have come to the stage where even with social enterprises, the fittest will survive. If it is going to come down to those kind of basics, the standards would be about, for example, how you give your customer base a stakeholding in what you are doing, how you take into account the feedback groups, about what you pay your staff, the quality of staff development and the business issues that get considered. I think those issues are important but with a different slant.

**ANDREA WESTALL:** Matthew.

**MATTHEW YOUNG:** An interesting session with lots to think about. In terms of ideas, we have got a substantial post Second World War legacy of state monopoly in funding and provision of services in welfare, education and hospitals. I was enormously impressed by Douglas Alexander but profoundly irritated by the nonsense he spoke when talking about accountability. He said something to the effect that if we looked at non-state delivery of services, we have to address this issue of accountability in standards of service. Welfare benefits are slightly more straightforward but certainly in education and in health there is no public accountability. Under the NHS Plan, where a whole plethora of quangos have been created, they would not add one iota of public accountability. It is sheer nonsense and, therefore, we ought to be thinking, to my mind, about quite large-scale operations. I think it is much more important to look at delivering what, by virtue of the accident of our post war history, we regard as public services. They are no more public than the delivery of food or cars, in reality. The role of the state is simply to ensure access and quality.

We could look - and I talked to the DTI about this some years ago - about revisiting the structures we used to have for statutory companies, Royal Charter companies, and those sort of vehicles, to distinguish the deliverer of the service from the Companies Act companies. I think that's just the sort of area where you could look at all of the employment related benefits. You could certainly look at schools and you could certainly look at health. I would say why can't we set up charter companies that would take over the management of those. In time, I'm all for a diversity. In time some of them would become co-ops, not for profit mutuals or fully private companies for profit, it simply doesn't matter. But we ought to break this old state model and that comes back to some of the points Rita was making about improve accountability.

**ANDREA WESTALL:** Leslie.

**LESLIE BUDD:** Mark talked about navel gazing. What is pleasing today is that practitioners are obviously intensely aware of the public policy issues. Talking about the breakdown between social and business, between private and public, it is about the spaces between private and public and how you appropriate them and that has been with us a long, long time.

What I wish is that in terms of public policies, the reputational effects of social enterprise, which are strong in the States, are developed here and I would like to see much more in the business press about social enterprise and less about corporate social responsibility. Every Monday in the FT there is a page on corporate social responsibility partly to reclaim and revivify civil society away from the ideology that has swept over Britain about globalisation and shareholder value. Shareholder value, as we know, is less about shareholders and more about new managerial reliefs. My idea is to turn St Mirium into a social enterprise, a kind of form of community cultural capital with spin offs in tourism, horticulture, concerts and whatever, giving the Dire Straits a footwell in England.

**JOE DOCHERTY:** I was just thinking about St Mirium turning into a social

enterprise. I think it has been a charity for quite a long time. Matthew from the Adam Smith Institute was talking about new models. I seem to remember that Adam Smith - it is years since I read it - one of the great models he was least in favour of was the limited company, because he thought that the directors would put themselves in front of the shareholders.

Ideas. We think we have got a model that can provide real sums of money into companies that can't get finance at about the 50 grand level. The one thing we have not been able to track on a commercial basis, although we are looking at a couple of pilots, is getting funds into the £500, £1,000 or £5,000 level. We have not been able to do it but we have to get a way round it. An idea to take away is really that that's the thing we have got to address, it is a gap in our products. One of the things that Steven mentioned in terms of venture capital for social enterprise. That's a really interesting idea. That's something to take back as well and look as well to see how appropriate it is for us.

**ANDREA WESTALL:** Can I give a challenge to the last one to be as brief as possible? Jonathan.

**JONATHAN BLAND:** We have got a problem in that there are seven million people - 32 London Boroughs and Corporations, the London Development Agency, the Government Office for London, five Learning Skills Councils, NHS - with a £7 billion revenue spend that want to do things that have an impact to health as well as delivering health. Now, while Douglas Alexander may have a limited idea of how much influence he has got over the IDA, I know he has an incredible amount of influence over the IDA and we desperately need to move the strategy that Barbara is working on nationally down to a regional level. At the moment, the national structure, as I said earlier, is way beyond the capacity for people to deliver quality business developments on the ground. We need to have strategic regional programmes and I have seen the power of these when I worked in Spain. In the English regions, we have already got devolved countries and so it is a plea to move to strategic regional programme with ringfenced

resources to make things actually move.

**DAVID IRWIN:** What I have learned: I had an interesting conversation with Ray because I have heard lots of people talking about the need for some sort of new structure; I never really understood the arguments behind it but I have now discovered what the arguments are. So I have learned something there. In terms of creating social enterprises, like Mark and Matthew I was going to talk about health and education because I think it is very important, but since Mark and Matthew have done that to death... It seems to me one of the key differences between the UK and the US is that in the US on the whole there is no distinction between people who are promoting housing stuff and enterprise, entrepreneur issues, and in the UK it is separate. Housing can often give assets that keep people like Joe happy when they go along and say we need to borrow money to do something rather broader. I would like to see rather more pulling together, social housing trusts together with the national agencies

**STEPHEN HARBIN:** The first point is that I didn't realise how many social ventures there were so well done New Statesman for highlighting that. Secondly, there are different ways of doing them and there is no right or wrong, which is good stuff. Third, my idea would be a National Lottery VC fund, where they invest venture capital money to those businesses or social ventures that either give exceptional returns or dramatically reduce the need for state provision. And, Centrica, expect the proposal for the accessible media shortly.

**BARBARA PHILLIPS:** What was interesting was that it has really sharpened the focus on a lot of issues. I don't think that new issues have come up today that we have not already thought about in the process of developing the strategy, but a different take on some, and a sharper focus has been extremely interesting. The idea that I would take from this is that we have already seen the value of brokering relationships between business and social enterprise and how it is a two way process, but the idea that Liam has placed in my head is to take this not

just in terms of giving them an opportunity to develop a business through this, but actually brokering partnerships between private companies and social enterprises so they can go jointly into, for example, public procurement. That is something I have not thought of before and I think is very interesting.

**ANDREA WESTALL:** My idea is that everybody who has had an idea has got to now go out and make it happen. We can make it happen, that's what it is all about. So thank you very much to everybody for participating today. Thank you Patrick for the support of Centrica and for getting this great group together to talk about these issues. Thank you.