

Social Enterprise UK briefing on Charities (Protection and Social Investment) Bill

SEUK briefing 1

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Social Enterprise UK

1. Social Enterprise UK was established in 2002 as the national body for social enterprise in the UK. We are a membership organisation. We conduct research; develop policy; campaign; build networks; support individual social enterprises; share knowledge and understanding; support private business to become more socially enterprising; and raise awareness of social enterprise and what it can achieve.

2. Social enterprises are businesses driven by social or environmental objectives whose surpluses are reinvested for that purpose in the business or in the community. They operate across a wide range of industries and sectors from health and social care, to renewable energy, recycling and fair trade and at all scales, from small businesses to large international companies. They take a range of organisational forms from co-operatives and mutuals, to employee owned structures and charitable models. Our members come from across the social enterprise movement, from local grassroots organisations to multi-million pound businesses that operate across the UK.

3. We chair the Social Investment Forum, a network of social investment and finance intermediaries (SIFs) designed to help keep money flowing around the market and ensure it reaches the social enterprises on the ground. In partnership with the Big Lottery Fund we published Social Investment Explained [\[1\]](#) to give interested parties a overview of the UK social investment [market](#). Our Chief Executive, Peter Holbrook, sits on the board of Big Society Trust in an ex officio capacity. We therefore have considerable experience in social investment.

Social Enterprise UK and the Charities (Protection and Social Investment) Bill:

4. We welcome the Bill and applaud the aims behind the Bill in relation to its social investment elements. Social investment is often baffling to many observers and a lack of transparency in the field jeopardises its potential. Any attempt to make social investment better understood, more transparent, and more widely used **where appropriate** by charities is welcome.

5. Some redrafting may be beneficial to fulfil the Government's aspirations, notable around the definition of social investment.

6. There is an opportunity for the Bill to bring much needed transparency to social investment and we look forward to working with the Government and others to make this the best Bill that it can be.

Social Investment:

7. The power to make social investments was not included in the draft bill which was consulted upon last year.[\[2\]](#)

8. We understand that the main purpose behind this additional element is to make social investment more of an option for charities. To this end, the Bill includes the first attempt at a legislative definition of social investment. We appreciate that this is no easy task; a brief glance at Part 14A perhaps goes some way to explain why such an endeavour has not been previously attempted. To fulfil the Government's laudable ambition of bringing greater clarity, some redrafting may be helpful.

292A Meaning of "social investment"

(1) This section applies for the purposes of this Part.

(2) A social investment is made when a relevant act of a charity is carried out with a view to both— (a) directly furthering the charity's purposes; and (b) achieving a financial return for the charity.

(3) References to an act of a charity are, in the case of an unincorporated charity, to an act of the charity trustees.

(4) A relevant act of a charity is— (a) an application or use of funds or other property; or (b) taking on a commitment in relation to a liability of another person (such as a guarantee) that puts the charity's funds or other property at risk of being applied or used.

(5) An act mentioned in subsection (4)(a) is to be regarded as achieving a financial return if its outcome is better for the charity in financial terms than expending the whole of the funds or other property in question.

(6) A commitment mentioned in subsection (4)(b) is to be regarded as achieving a financial return if— (a) it is not called upon; or (b) it is called upon without resulting in the expenditure of the whole of the funds or other property put at risk.

(7) The fact that a relevant act of a charity is regarded as the making of a social investment for the purposes of this Part does not of itself make the act an investment for any other purpose.

9. The Government has a strong track record of support for social investment. Social Enterprise UK believes that the social investment market (and indeed the market for conventional financially driven investment) would benefit from greater transparency both generally and specifically for charities. This Bill provides an opportunity for the Government to do this.

10. Social Enterprise UK is likely to recommend a small number of proposed amendments at Committee Stage.

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References:

[1] Social Investment Explained <http://www.bigpotential.org.uk/resource/social-investment-guide>

[2] Draft Bill presented to Parliament 2014

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/365715/43820_Cm_8954_draft_protection_of_charities_bill.pdf