

Civil Society

What are the strengths of civil society today? You might consider its mission and motivation, services for the public, difference to quality of life or economic and/or social impact.

Civil society is incredibly diverse. It has often been understood as people working together beyond the influence of the market or the state. Yet civil society as currently in the UK today is largely within the influence of the state and/or the market! Earned income accounts for over half of the income civil society, while contracts and grants from government bodies generate a significant proportion of the sector's income. This demonstrates the significance of social enterprise and public service provision in the context of what is commonly understood to be UK civil society.

Social enterprises are businesses that are changing the world for the better. Social enterprises are in our communities and on our high streets – from coffee shops and cinemas, to pubs and leisure centres, banks and bus companies. By selling goods and services in the open market, social enterprises reinvest the money they make back into their business or the local community. This allows them to tackle social problems, improve people's life chances, support communities and help the environment. So when a social enterprise profits society profits.

We have seen a ten-year wave of start-up dynamism, with a new generation of businesses choosing the social enterprise approach: embedding a social purpose in their DNA, acting commercially, and reinvesting their profits to create more positive change. These new entrants have also brought innovation: social enterprise has outperformed mainstream business for a decade in its ability to develop new products and services. Social enterprises are continuing to do business differently, and showing considerable commercial resilience: continuing to outperform mainstream SMEs against a range of business metrics: turnover growth, innovation, business optimism, start-up rates, diversity in leadership and more. Over 70% made a profit or broke even in the last year.

A growing body of evidence from economists and government has demonstrated that social enterprises are outperforming traditionally run businesses. This isn't surprising, as social enterprises are designed to take a long-term approach to developing new products and services, nurturing their employees and taking responsibility for their local community. Many social enterprises are at the cutting edge, innovating by taking traditional business models but adapting them to serve a social purpose. These are the kinds of businesses that the government must grow if it is going to achieve the vision outlined in its Industrial Strategy and make a success of Brexit.

Yet the Government has, to-date significantly undervalued the importance to the economy and society of social enterprise, as follows:

- In pure *financial terms* - current research underway by SEUK indicates that the published figures rely on SME data, while social enterprises can also be large businesses, from Nationwide to the Co-operative Group and Welsh Water to GLL. In pure GDP or GVA terms, social enterprise is comparable to the creative industries.
- In terms of addressing underlying *social causes* that cost our economy dearly - social inequality, poor public and mental health, crime and loneliness all have a significant impact on economic performance. Spending tens of billions every year addressing the symptoms of these challenges rather than resolving them, puts a country at a massive economic disadvantage. Social enterprises are working every day across the country to address these

challenges to reduce the drag that they place on our country's competitiveness and productivity.

- In supporting our *economic foundations* – As HM Treasury have argued, productivity relies on social capital, that enables markets to function and thrive.: “In today's economy, investment is about much more than machines, equipment and physical infrastructure. It also encompasses the development of human capital from education and training, and intellectual capital stemming from research, as well as the development of software and improved business processes. These are all interlinked and thrive in an economy that has well developed institutions and high levels of social capital.” Social enterprises and wider civil society are vehicles for building social capital. We will never build an economic powerhouse on weak social foundations.

How can government help to increase the impact of civil society?

The UK has been a world leader in social enterprise. We launched the first government strategies specifically targeting the development of social enterprise, the first investment funds aimed to support social enterprise, the first tax break designed to support investment into social enterprise, the first new legal form in the UK for decades, created specifically for social enterprise. Each of these models and more are being copied around the world.

But political and policy momentum with regard to social enterprise has fallen away in recent years. The UK Government no longer has a strategy aimed at social enterprise, while in contrast, strategies have been introduced in Wales and Scotland. The Department for Business does not admit any specific responsibility for these businesses, the Department of Health no longer has a Social Enterprise Unit, social investment has taken a front seat and social enterprise itself has been somewhat forgotten.

Our competitors around the world are not waiting for Britain. They are recognising the value of social enterprise as a way to combine profits with social progress. There is a danger that they will leapfrog the UK – just as Europe and the United States leapfrogged Britain after the Industrial Revolution. If we are not careful, Britain will once again suffer from the curse of being the first mover – innovating and setting out the pathway for change, only for other countries to pick it up and deploy it more effectively.

So we are now concerned about the future of social enterprise and government support for what has been a UK success story. Social enterprises face uncertainty in the face of Brexit, a lack of policy urgency and drift. The UK has been a world leader, but we are in danger of falling behind. Within the OCS there is no dedicated function with the aim of growing social enterprise.

We know from research, from our members and from workshops held with social enterprises to gather their feedback for this consultation that social enterprises face mounting challenges. These include:

- hostile attitudes towards the people with whom social enterprises work;
- lack of investment in economic and social infrastructure outside major cities;
- challenging funding and finance environment;
- uncertainty around Brexit;
- ongoing challenges to raise public awareness of social enterprise
- skill support, staff recruitment
- routes to market, including procurement
- digital and technological developments
- legal and fiscal complexity and perverse incentives

- lack of a level playing field vis-a-vis charities and business more widely
- narrow minded and short-term commissioning and procurement approaches

There is a yawning gulf between Prime Ministerial rhetoric about an inclusive economy and the Government's policy, particularly its industrial and economy policy. If we are going to meet the challenges that are facing our country, we need to move social enterprise into the mainstream of our economy.

Although we welcome the government's desire to create a Civil Society Strategy, it is essential that the government does not pigeon hole social enterprises within civil society, but sees them as partners to civil society but part of mainstream economy. Social enterprises are primarily trading organisations and often structured very differently from traditional charities which rely on volunteering and public fundraising. They require different methods of support.

At the same time, the Industrial Strategy is backed billions of pounds of new funding and has the full weight of a government department behind it. Local Enterprise Partnerships, Growth Hubs, the StartUp Institute, Sir Charlie Mayfield's Be the Business programme are just a few examples of the investment that government has made into growing business across the UK. Sadly, many of these are not open to social enterprises because government has not structured them effectively. The Civil Society Strategy should include a commitment to ensure that wherever traditional businesses receive representation, social enterprises also receive representation. There is a risk that government ends up supporting traditional businesses and ignores the new economy that is emerging. Without an ambitious programme of support and bold reforms, social enterprises will not be able to revolutionise our economy in the way that we need it to.

It would be useful for the government to consider a separate office or unit to support the development of social enterprise. Our members want to see a new strategy and structure aimed specifically at social enterprise and one that is owned and embraced by the Department of Business and the Treasury as well as DCMS, DHMLG, the Department of Health and Social Care and others. In the same way that the government uses investment, regulation, procurement strategies and taxation to support traditional businesses, the government must use the same levers to support social enterprise. This must be done in a comprehensive and sustained fashion, if it is going to yield results. This should include investment to build the infrastructure of social enterprise, regulation to encourage the next generation of social entrepreneurs, procurement to support social enterprises and taxation to incentivise and reward pro-social behaviour.

With regard to tax, for instance, the government has put a significant amount of investment into reducing tax for business. Corporation Tax cuts are worth over £10bn a year and business rates tax reform is worth nearly £7bn a year to give but two examples. Although some social enterprises will benefit from these reforms, this is not universally the case. Moreover, social enterprises are often delivering social outcomes comparable to traditional civil society, but do not receive the same level of tax support. This means that social enterprises are having to compete with one hand tied behind their back. To meet their goals, social enterprises have to deliver both social impact and profit. Yet, when they compete with traditional businesses, their social contribution is not recognised. We need a new tax system, which rewards positive social behaviour and organisations which invest in their workforce and the communities they are based in. This should address key features of the tax regime including corporation tax, capital gain tax and business rates. This will ensure that the contribution of social enterprise is fairly recognised and a truly level playing field is created.

With regard to public spending, it is right that the Civil Society Strategy looks at commissioning and procurement policy. The Social Value Act is an obvious example of where the government can immediately make a difference. It is crystal clear that there are barriers to its use. Some are cultural and can be challenged by best practice, training and guidance. Others are structural, and require primary or secondary legislation to change. Whilst guidance allows commissioners to go beyond statute, what was very clear from our research with local authorities is that District Councils did not generally apply the Act. Government should consider removing the threshold for applying the Act, so that all procurement considers social value and achieves real value for money. This would oblige those public sector organisations which have so far ignored the Act to explore how it can meet their wider policy objectives. The government should also beef up the Act by making all parts of government account for social value, not just *consider* social value. A network for commissioners from both central and local government could pool their knowledge of social value in collaboration with social enterprises, so that the Act can be properly implemented. State Aid is repeatedly sighted as a barrier by government for why it cannot support civil society, despite the fact that many charities and social enterprises are delivering services where there are not functioning markets. There is now an opportunity to refocus State Aid so that it more clearly addressed potential abuse in functioning private sector markets rather than delivering services to disadvantaged people and communities where the risk of abuse is minimal.

When it comes to regulation, the regulatory space for social enterprise remains disperse and embryonic. Community Interest Companies and Community Benefit Societies are becoming more important but the regulation of the Social Economy is divided and supported. People who want to start a social business are confronted with a messy and irrational regulatory environment which can have perverse incentives. Over the next ten years, more and more people will be setting up businesses in order to do social good. It is important that the government lays down the foundations for this work through a coherent and strong regulatory framework. We do not need a new regulator but a Social Economy Commission could be the way to take this forward with, crucially, better resourced and more joined up regulation between the Charity Commission, CIC Regulator and FCA.

How can public trust in civil society be built and maintained?

Government is rightly concerned about the erosion of trust in civil society. Charities have been the source of repeated concern in the media and in Parliament. But the same is true in business, in politics and the media. The collapse of Carillion is just another example of how the public is suspicious of the private sector.

Social enterprise offers a way that government can rebuild trust in the economy, by making business more socially responsible and focused on the needs of people. While we have seen major scandals in the charity, public and private sectors, we have yet to see a comparable story in social enterprise. This is perhaps instructive. Trust is essential for markets to operate effectively and social enterprise plays a significant part in shaping and shifting market and keeping the private sector honest and on its toes.

How can civil society be supported to have a stronger role in shaping government policy now and/or in the future?

Civil Society and social enterprise have plenty of ideas about how government policy can be improved to better deliver Ministers' ambitions. The problem is that our voice has not always been listened to and we have been considered a junior partner rather than a powerful actor in our own right. We welcome this consultation but it must be the tipping point to rebalance relationships, to build a genuine partnership not a one-off consultation and document.

One problem is that our voice is not being listened to because we do not have a seat at the table. Traditional business representatives such as the CBI, IoD and FSB are often the first called in by Ministers when considering how the economy can be supported, but social enterprises are not being called in. LEPs rarely invite social entrepreneurs onto their governance structures. The Government's review of alternative finance mechanisms included no alternative finance providers. The list goes on.

The Civil Society Strategy must include a commitment that wherever business meets with government, social enterprises are represented too. This will not only benefit government by ensuring that different perspectives and solutions are raised but it will also ensure that we shape government policy in a way that support social enterprises and doesn't damage it.

We value Tracey Crouch MP's enthusiasm for the role, and very much welcome the decision to launch a consultation on a long-term strategy. Yet we fear that the portfolio is too diverse and with too little synchronicity to be coherent covering gambling, horse racing, the Office for Civil Society, sport, the National Lottery and society lotteries, and cross-government work on loneliness. Ministerial time and is limited and civil servants are stretched.

The position of OCS within the Department of Digital, Culture, Media and Sport makes it significantly harder for the machinery to deliver the Prime Ministerial desire to have an inclusive economy. The civil servants with a knowledge of social enterprise (the most inclusive form of business) and with the best understanding of what legislative and regulatory changes are needed to make our economy more inclusive are outside the BEIS, the department responsible for business.

If the machinery of government is to work to deliver what the Prime Minister wants, then there needs to be a distinct Unit, which can be *initially* hosted within DCMS but which draws in the commitment of BEIS and HMT and DH among others, a Social Enterprise Unit, for instance.

We interpret civil society as inclusive of all those outside of the public sector, who share the mission of building a stronger society and improving lives, regardless of traditional sector boundaries such as charity or private and for profit or not.

What are the advantages of using this interpretation in developing this Strategy?

See below.

What are the disadvantages of using this interpretation in developing this Strategy?

This definition is problematic. Nearly every organisation outside the public sector would likely maintain that they share the mission of building a strong society and improving lives. There are around 5.7m businesses in the UK¹ which all have *some* positive impact to some extent by employing people, paying pension contributions, providing structure for people's lives, etc – and of course the positive impact of employment on people's mental and physical well-being is well established.

¹ House of Commons Library Research briefing number 06152, 28 December 2017

We understand that the government wants to bring together various strands as part of the Civil Society Strategy, but that doesn't mean that all organisations should be lumped together in one definition. Nearly every organisation outside the public sector would likely maintain that they share the mission of building a strong society and improving lives.

All businesses occupy various positions on a spectrum of financial and mission-led. They seek, every day through their work to balance these imperatives. Often, this commitment rests with the resolve – or the whim – of one or two owners. SEUK believes that while it is possible to identify social enterprises through their ownership, governance and limits on profit distribution or co-operatives for their adherence to the longstanding international co-operative principles, identifying mission-led businesses is practically impossible.

Binding commitments and rules around profit distribution allow observers or policymakers to group a cohort of businesses together for policy purposes – those who are disallowed from paying out profits at all, for instance. Similarly, it is possible, although sometimes difficult, to distinguish those businesses with a primary social purpose, where social mission is locked in and identified as of primary significance. But to identify those which have “a positive social impact as a central purpose” is practically impossible. Any definition of “mission-led businesses” along these lines will be nigh impossible to draw. How can the Government establish the balance between financial and social inside the mind of the sole shareholder of Ecotricity? How can the Government establish how central the social purpose of the Westmorland family is to their motorway service station business? Would Tesco not identify an intention to feed and clothe people in the UK as a central purpose of their business?

Similarly, social enterprises should not be automatically lumped together with charities and voluntary organisations. The Civil Society Strategy should draw on the strengths of all the sectors that make a positive social contribution, but it should not seek to bind them in one overarching definition. It should recognise the distinction between private businesses trying to do good and social enterprises which reinvest profits.

People

Enabling more people to play an active role in society Reflecting on your own experience or examples you are aware of in the UK or abroad, how have people successfully taken action to improve things for themselves and their communities? Please tell us why it has worked well.

Across the country, tens of thousands of people in cities, towns and villages are coming together to turn local pubs, shops and parks into thriving community hubs. People are proudly investing in community energy and community-led housing projects. We make the cost of living more affordable, fight loan sharks and high cost credit, build affordable housing, run sustainable transport, and bring dying high streets back to life. We run sustainable models of health and care. We are influencing consumers, making markets fairer and nudging big business to do the right thing.

Social enterprises operate in every area of the economy. They are thriving and succeeding, in both social and economic terms, against the odds. Social enterprises are more representative of the communities that they operate in than traditional business. This is true of their leadership, with 40% led by women and 34% having minority representation in their leadership teams. It is true of their workforce, with 44% employing those who are disadvantaged from the labour market: ex-offenders, homeless, military veterans, those with learning and physical disabilities, and many more whom others simply don't give a chance to. And it is also true of where they work: a third operate in the most deprived areas in the UK. For more information see <https://www.socialenterprise.org.uk/the-future-of-business-state-of-social-enterprise-survey-2017>

Which of the following changes are the most important in enabling more people to take action on issues that matter to them? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important)

n/a

The funding and financing environment

The funding and financing environment that supports the work of the voluntary and community sector has changed significantly in recent times. For example charities' income from government in the form of grants has declined, whilst contract income has increased. For some parts of civil society income from trading is playing a much greater role. Technology is also making it possible to find funding in new ways, for example crowdfunding, online fundraising platforms and tools that seek to bring together funders with projects. (Please note we have included separate questions on new investment models later in this section, such as social investment, and on public services in the 'Place' section, which covers views on public service commissioning) Reflecting on your own experience, or examples you are aware of in the UK or abroad, what does an effective pool of funding and financing as well as income opportunities for the voluntary and community sector look like? _____

Where is there the potential for changes to the funding and financing environment to better support the work of the voluntary and community sector, for example increasing the use of new models of funding, use of technology and/or changes to current funding practice?

The House of Lords Select Committee report on the Future of Charities is a good starting point for Government. We recognise ever increasing funding diversity, and Government should take some credit for supporting social investment, and for not overregulating crowdfunding platforms. Nevertheless, there is an important role for grants, particularly for start-ups.

A regular feature of government intervention in the funding and financing of social enterprise and civil society is that it is narrowly focused at one particularly stage in the evolution of a business or an organisation. Another feature is that government tends to do high intensity, low frequency interventions into the social sector. For example, creating a "fund" which considers one part of the lifecycle of an organisation and consider this for 18 to 24 months, before withdrawing support and moving onto another initiative.

If a ten-year programme is going to be successful it needs to involve a change in direction, with a commitment to addressing a range of needs across the lifecycle of social enterprises and greater stability.

This approach would recognise that there needs to be a variety of funding models including grants, contracts, patient capital/equity finance, loans and challenge prizes which will stimulate different types of organisations at different stages of their lifecycle. This support needs to be sustained throughout the ten years of the strategy, with a regular review mechanism so that there is a chance to learn and adapt programmes, but not a "feast and famine" approach which leads to funds being scraped, a period of no support and then the introduction of a new fund. There also needs to be a recognition that some organisations may need support for a relatively long period of time, but providing that value continues to be added this may still be a successful intervention.

A key trading partner of many social enterprises is local government, which are responsible for a wide array of services. We welcome greater levels of devolution of power to local authorities, but we are concerned that unless there is a comprehensive overview of the future of local authority funding, that many places will be unsustainable. The introduction of the Business Rates Retention Scheme in 2020 could make things worse and heighten inequalities rather than reducing them.

Which of the following factors are the most important in strengthening the funding and financing environment in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

Making it easier to bring together civil society with potential funders __3__

More skills training for civil society _____

Raising awareness of new funding models _____

Stronger collaboration between funders __2__

Improved funding practices by funders __1__

Increased use of technology to support fundraising

Are there any additional changes that would improve the funding and financing environment for the voluntary and community sector?

See above

Considering all the changes you discussed in this section, how could these changes be implemented now and/or in the future? You may want to think about the role of different parties, for example central and local government, independent funders, charities, businesses, yourself / your organisation and others.

New investment models Over recent years, a range of new and innovative models have developed to fund investment into addressing social challenges. These have included the rise of venture philanthropy*, social investment, and the development of social enterprises* and mission-led businesses that are able to fund their activities through revenue generation. Increasingly, there has been growing interest in social impact in the mainstream financial services industry. Reflecting on your own experience or examples you are aware of in the UK or abroad, how are new investment models unlocking new potential and partnerships?

The UK has been a world leader in social investment. There are now increasing numbers of organisations which have received support through social investment and have been able to successfully scale what they do as a result in a way that would have been substantially harder before 2010.

But perhaps some were far too ready to see social investment, and in particular, Social Impact Bonds as a panacea, and we welcome what appears to be a recognition that social investment is not the single answer to every social problem. If social investment is going to grow, social enterprises have to grow. The supply side has been the focus of significant government attention, but the demand side has only recently been considered.

We welcome the creation of the Access Foundation and the greater appreciation for “blended capital” approaches to social investment. But these alone will not grow the social investment market, unless social enterprises are in the position to grow their revenues and use social investment effectively.

Rather than investing in further work to promote social investment and further tax reliefs for social investors, which have already been given considerable support, the government should consider efforts to support the demand side of social investment.

Where is there the greatest potential for the future development of investment models for civil society?

Fundamental is that social investment and its associated tax reliefs should only be targeted at organisations where the social and/or environmental impact is the primary and dominant factor. There have been welcome moves from the social investment market to adopt flexible funding models which are better tailored to the needs of investees, and some initiatives to support investment readiness – however more could yet be done to support this transition.

Which of the following factors are the most important in enabling the growth of new investment models in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

The scaling of social impact bonds* _____

Knowledge of social impact investment* as a form of finance ___3___

Understanding of how to make / receive a social impact investment __1___

Identifying suitable opportunities for social impact investment __2___

Establishing a formal framework, such as the UN Sustainable Development Goals, to analyse social impact

Are there any additional factors that could enable new investment models to grow in the future?

We have reached a stage where the supply of social investment exceeds demand. There are a variety of reasons including but limited to new entrants into the social investment market, that 'low hanging fruit' has been picked off, a lack of grant support at the early stage leading to a restricted pipeline, lack of awareness from smaller social enterprises and charities, historically unprecedented low interest rates making traditional sources of investment as attractive as social investment for those able to access it, a curiously hesitant approach by Government to supporting the creation of Public Sector Mutuals, and a decision by Government not to extend SISR to community energy which has undermined confidence in the tax relief and in the prospect of a stable policy environment for social investment.

The Government needs to:

- commit to maintaining SISR in more or less its current form after 2019;
- explore expanding SISR for community energy perhaps using an independent accreditation system, similar to what is being considered for care homes;
- consider expanding SISR to the wider cooperative sector;

Considering all the factors you discussed in this section, how could these factors be addressed now and in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others. Z

Responsible business

Across the UK, a growing number of businesses are adopting more responsible and purposeful business models, looking to meet consumers' and workers' changing expectations of the social contribution of business. From social enterprises* to corporates, businesses are moving beyond a focus on community affairs to placing positive social and environmental impact at the core of their operations. The Prime Minister has expressed her support for business to make a greater positive social contribution, and government has a range of activity underway on this. There is action to encourage wider business-civil partnering to tackle social challenges and to back the next generation of purposeful businesses, plus follow up to the Green Paper on corporate governance, including the Financial Reporting Council's work on the UK's Corporate Governance and Stewardship Codes. Reflecting on your own experience or examples you are aware of in the UK or abroad, how are businesses unlocking new partnerships and potential within civil society? Please tell us how this is different to other types of organisations.

Our economy is driven by business. While we need government to protect us and charities, citizens and communities to help us, it is most often business that feeds us, clothes us, delivers heat and light, creates jobs, pays wages, pays taxes and keeps the wheels of the economy turning. The relationship between business and society is interdependent. But businesses have come under fire for their employment practices, rewarding failure, their supply chains, their impact on communities and some even for tax avoidance - free-riding on public investment and infrastructure. Short-termism is rife with business leaders and shareholders incentivised to think only in terms of months, weeks or even days. The environmental side-effects of economic activity have never been greater. Over three-quarters of voters say that most large companies won't be open and honest about their behaviour unless they are forced. Meanwhile, the scale of Government subsidies to keep the private sector ticking over cost the taxpayer tens of billions of pounds. So the Government turning to focus on the social and environmental responsibility of business is welcome and necessary.

We believe public trust in business can be rebuilt. This is an opportunity for business to reclaim its place as the key driver of a successful society and a positive force. To do this, we need to recognise that businesses are simply groups of people. Many big businesses have become dominated by the short-term and narrow interests of small groups of people – the investors. And many of these have little or no personal connection with, or understanding of the businesses in which they invest. We can rebalance this equation by reconnecting businesses with the people who work for them, buy from them, supply them and live near them in order to create wider value across the country.

Businesses can be better corporate citizens, paying their fair share of the tax burden, creating more jobs, practicing fairer employment and causing less damage to the world around us. In short, businesses can be more social. Indeed, this behaviour will make them more popular and more successful, delivering greater environmental, social and economic value. Voters in the UK agree - almost three quarters say companies should be involved in solving social and environmental problems and agree with Richard Branson's view that "All businesses should become a force for good, and not just focus on short-term profit."

The Government argues that that "Mission-led businesses are mostly a new phenomenon" and the previous Minister for Civil Society described how "Across the country there is a new breed of brilliant entrepreneurs who want to make a profit with their business, but also apply their enterprise and flair

to make social impact a core purpose of their business endeavour". We don't agree. The idea of mission-led business is not really so new. From 1800, Robert Owen developed the social and welfare programmes at New Lanark mill. In 1844 the Rochdale Pioneers set up shop with community benefit at its heart. In 1879, George Cadbury built Bournville with the aim of advancing not only the prosperity of the business but also the conditions and social benefits for its workforce. In the 1910s, Henry Ford said that "A business that makes nothing but money is a poor business." The list goes on.

Across the UK are thousands of sole traders, SMEs, family-led businesses, employee-owned businesses, co-operatives, social enterprises and private businesses which may or may not distribute profits, which identify an intention to have a positive social impact as a central purpose of their business; and make a long-term or binding commitment to deliver on that intention; and report on this impact to their stakeholders.

So we welcome the Prime Minister's encouragement for businesses to be more socially responsible. But the leadership role being taken by the Cabinet Office with regard to responsible business is bizarre and troubling. If the Department of Business was leading, or indeed was even involved at all, this would be a more positive indication of the Government's commitment to enabling business to be more social. The Office for Civil Society has held responsibility in recent years for directing hundreds of millions of pounds, through their spending review settlement, via the Big Lottery, Big Society Capital and more to civil society organisations. The Government should be aware of the fierce resistance from representatives of the social sector, the media and the public at large if this review is seen to pave the way for directing these resources away from charities and towards privately owned businesses. There is significant reputational and thus policy risk, in the potential that stakeholders may suspect that money earmarked in the Spending Review for charities, that Lottery money to be directed for good causes, and unclaimed assets seen as the people's money may be directed towards privately owned businesses without a primary social purpose. This would also dilute the general public's growing confidence in the real development of social investment propositions.

In this context, we would argue for greater shared resource across Cabinet Office and the Department for Business and joint ministerial responsibility. Perversely, one significant barrier to the growth of mission-led business is the reticence of more well-known politicians and the Department for Business to support this agenda. Indeed, they often actively suggest they are not interested at all.

Exaltation from government to change the way that business works is welcome, but if companies are not reformed to embed social purpose into the way that they carry out their business, then it is likely to have a limited effect. Change which is based on leadership of a few individuals is less likely to lead to long term results than reforms to the structures and incentives which govern the behaviour of companies.

The Government could look at how to encourage all businesses to act with greater social and environmental responsibility. The Department for Business and the Treasury should realise their power to support and incentivise the creation of environmental and social value alongside financial value.

Government can use taxation, spending, regulation and softer behavioural levers to influence the private sector. Which levers are most appropriate will depend on the context, the markets in which businesses operate and how well they are functioning, the size and scale of businesses and their ownership models. Often, softer nudges may be quite ineffective, and some fiscal levers are hard to pull in a globalised economy and in an era of such sophisticated and widespread tax avoidance

techniques. The burden of existing tax, regulation and spending can also be adjusted to ensure it goes further in incentivising more responsible corporate behaviour.

Government can go further to create the market conditions and business environment which incentivises a more progressive approach to ownership. Multi-stakeholder models can better enable customers, community, staff, partners and suppliers, as well as investors, to participate more fully in the governance and management of the business, driving its success. These models can extend economic power, rebuild trust in business and help rebalance the economy.

BIS and the Treasury could:

- Legislate for greater and more proportionate transparency, disclosure and accountability of business activities across the private sector, including creation of environmental and social value. An extremely broad coalition, including the Institute of Directors, the TUC, and Friends of the Earth mourned the 2005 passing of the Operating and Financial Review (OFR), in which all stock market-listed companies were required to produce a yearly review of their business operations and future risks, including social and environmental factors. Its reinstatement would be widely welcomed. On the other hand, mandatory quarterly reporting obligations should be scrapped.
- Transparency is necessary if organisations are going to be held account for their social impact. Consideration should be given to reintroducing the Operation and Financial Review (OFR) which asked publicly listed companies to produce yearly reviews of their business operations and future risks, including social and environmental factors. Alongside this, further consideration should be given for how social impact is accounted for in business accounts. The government should consider setting up a Working Group to look at how government, business and civil society organisations can formally measure their social impact in their Annual Accounts.
- While the FRC's working group on corporate governance is valuable, and we look forward to its results, guidance is not going to lead to a significant change in behaviour on its own. The government should consider reviews to the Companies Act to ensure that businesses are made more socially accountable. Not only would this provide a clear steer from government but it would make change more likely to embed itself in the long term. Mainstream interest in social impact will continue to be limited unless and until FRC reporting rules, specifically narrative reporting, is sufficiently robust that companies are obliged to report on their social impact in a meaningful way.
- We commend the notion of obliging listed companies to report on how they address the Global Goals.
- Review existing legislation to ensure it does not unintentionally restrict the positive environmental and social impact of business activity, or is interpreted as doing so. Procurement law, for instance and the concept of fiduciary duty have been interpreted to restrict the degree to which government and businesses can take social and environmental factors into account. Government regulation should not be anti-social. This should be accompanied by a comprehensive review of legislation and regulation pertaining to different company forms, to identify and remove barriers to the development of diverse multi-stakeholder models. Clearer, better practical guidance can be provided about how to lock in

social mission under existing rules, such as through golden shares, template governing documents or the CIC model.

- Greater support should be given to those organisations which more formally embed their social purpose into the governance structure. Asset-locked businesses or those which are formally accountable for delivering a social purpose, such as Community Interest Companies or Community Benefit Societies, should be given greater support than those organisations which only have a loose social mission for which they cannot be formally held to account.
- Use tax system to incentivise more socially and environmentally responsible business models and operations. Lessons can be learned from the use of lower rates of corporation tax, exemption from NI contributions for some workers and a lower VAT rate for social co-ops in Italy.
- Introduce a new duty on businesses to commit to certain social and environmental standards when they merge with or acquire other businesses to – as the Business Innovation and Skills Committee concluded "ensure that takeovers of UK businesses

Which of the following factors are the most important in enabling more businesses to have a social purpose or positively increase their social impact in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

Celebration of best practice _____

The legal and regulatory framework for businesses __2__

Consideration of the UN Sustainable Development Goals _____

Improved data on the “business case” for social purpose _____

The legal and regulatory framework for investors __3__

Advice or tools to help businesses adopt, show and set value on social purpose _____

Increasing demand for products, services, businesses that have a social purpose or a positive social impact __1__

Are there any additional factors that could enable more businesses to have a social purpose in the future?

Considering all the factors you have discussed in this section, how could these factors be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Partnership

Working in partnership

Reflecting on your own experience or examples you are aware of in the UK or abroad, how are partnerships across sectors improving outcomes or realising new potential?

Which of the following factors are the most important to enable more impactful partnership working across sectors? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

Better knowledge of potential partners _____

Better understanding of the benefits of partnerships __1__

Better knowledge of opportunities to work in partnership __2__

Better understanding of other sectors _____

Greater leadership around partnership working _____

Ability to prove impact of partnership working _____

Making it easier to identify and access funding opportunities to support partnership working __3__

A common agenda / shared vision and strategy _____

Shared values _____

Are there any additional factors that would enable more impactful partnerships across sectors?

Considering all of the factors you have discussed in this section, how could these be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

We have noted several occasions where regulations have been introduced which have had a damaging impact on social business. For example, recent changes to licencing for transport will have damaging implications for community transport businesses. DHSC's implementation of the NHS pay rise could have disastrous consequences for NHS mutuals.

The Better Regulation Executive (BRE) should be given an explicit steer from government to consider how regulatory change could impact social enterprises and to use regulation to encourage more socially responsible behaviour. The Regulatory Policy Committee (RPC) should also include social enterprise representation so that the unique challenges of social enterprise are considered when new regulations are considered.

At a minimum, new regulations should not harm the ability of social enterprise to operate which could undermine the government's desire to support responsible business.

Places

Devolution/localism Reflecting on your own experience or examples in the UK or abroad, how have local people, businesses, voluntary and community organisations, and decision makers worked together successfully to break down barriers in our communities and build a common sense of shared identity, belonging and purpose?

SEUK has considerable experience working at a local level, through our Places programme, through the Taskforce on Social Economy with WMCA and through our Building Health Partnerships programme, among other work. We would be happy to share further detail with the Government of how partners have worked successfully together at the local level in communities.

What are the most important changes that need to be made to enable more people to work together locally to break down barriers and build a common sense of shared identity, belonging and purpose in general? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

Communities having a greater ability to set their own priorities _____

Communities being more aware of issues facing them collectively _____

Workers in local public services taking greater control over how they operate _____

People being more aware of physical assets, resources, skills and relevant organisations the community holds _____

Communities having more or better support on how to mobilise themselves and take action _____

Greater understanding of community shares _____

Institutions and organisations delivering public services involving communities in decision-making _____

Institutions devolving more power to their local communities _____

People having better skills, and access to learning opportunities to obtain the skills needed to mobilise themselves _____

More opportunity for diverse groups of local people to meet to discuss local issues and what they think they could do to improve things Are there any additional changes that would enable more people working together to break down barriers in our communities and build a common sense of shared identity, belonging and purpose?

Considering all the changes you discussed in this section, how could these changes be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.

Public services

Civil society is involved in our public services in a variety of ways - from delivering public services with or on behalf of public sector organisations, investing in solutions to complex public service problems, providing supplementary preventative services or when people have a say in shaping the type of services that they receive. Through its participation in public services, civil society is well-placed to create social value*, i.e. social, economic and environmental benefits to society. Reflecting on your own experience or examples you are aware of in the UK or abroad, how have local public services successfully responded to the needs of communities?

[see above]

What are the most important changes needed to enable local public services to respond further to the needs of communities? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

People having more opportunities to shape and/or run the public services they use __2__

Service providers delivering more public services that have been designed and produced with their users _____

Drawing on wider civil society networks to support services _____

Changes to commissioning practices __1__

Greater understanding of how to demonstrate and measure social value*

Are there any additional changes that would enable local public services to respond further to the needs of communities?

[see above]

Considering all the changes you discussed in this section, how could these changes be implemented now and/or in the future? You may want to think about the role of different parties, for example central and local government, other public sector bodies, charities, businesses, yourself / your organisation and others.

[see above]

Public service mutual

Public service mutuals ('mutuals') are organisations that have left the public sector, continue to deliver public services and have a significant degree of staff ownership, control and/or influence in

how they are run (for example, staff may own shares or be represented on a Board). Research shows that they have better staff engagement and morale, and stronger outcomes. Reflecting on your own experience or examples you are aware of in the UK or abroad, do you know of any public service mutuals that are unlocking new partnerships and potential? If yes, please tell us how this is different to other types of organisations.

SEUK was delighted to deliver research for DCMS on the state of the public service mutual sector. We hope the government can consider the recommendations which emerged from this research.

What are the most important factors in enabling more people to work in mutuals to deliver public services in the future? (Please rank up to three choices in order of importance, with 1 as the most important, 2 as the second most important and 3 as the third most important) _____

More funding to consider/develop new innovative ways to deliver services _____

More time to consider/develop new ways to deliver services _____

More professional advice on creating / growing mutuals _____

Building further staff capabilities to set up and run this sort of organisation _____

More evidence of the benefits and how it works _____

Greater understanding of mutuals and their benefits amongst those commissioning public services _____

More partnerships between organisations bidding for contracts _____

More support from others who have developed/are developing mutuals Are there any additional factors that could enable more mutuals to deliver public services?

Considering all the factors you discussed in this section, how could these factors be addressed now and/or in the future? You may want to think about the role of different parties, for example central and local government, charities, businesses, yourself / your organisation and others.
