THE BEST IDEAS FROM THE LEFT & THE RIGHT.

SOCIAL ECONOMY ALLIANCE

MANIFESTO

GENERAL ELECTION 2015

A REVOLUTION IS HAPPENING. BRITISH PEOPLE ARE CHOOSING BUSINESS WHERE SOCIETY PROFITS.

The Social Economy Alliance

The Social Economy Alliance has developed this manifesto through a democratic process.

We are hundreds of social enterprises, co-operatives, charities, universities, investors, trusts, associations and think-tanks. We are businesses with a social mission.

We have come together to make the case, not for what the next government can do for the social economy but for what the UK's growing social economy can do for the country—helping its citizens to thrive in a 21st century, global economy. Much of our work is crowdfunded.

Founding partners:

Belu, Buzzbnk, CAN, Community Development Finance Association, Co-operative Energy, Co-operatives UK, First Ark Group, Fusion 21, HCT Group, Impetus PEF, Locality, New Economics Foundation, PM Training, Sandwell Community Caring Trust, School for Social Entrepreneurs, Social Enterprise UK, Supporters Direct, The Social Investment Business, The Social Investment Forum, Turning Point, Unity Trust Bank, The University of Northampton, UnLtd, The Welsh Co-op Centre, The Young Foundation.

At the time of printing, as well as these founding partners, the Social Economy Alliance had been joined by 435 other organisations.

The production of this manifesto was supported by CLARITY and The Soap Co. Both are social enterprises.

Britain's economy has changed

New ideas and collaborations traditionally emerge during periods of austerity, and this has happened as a consequence of recent economic upheaval. Around the UK, democratic markets are emerging that are networked and responsive. There has been an explosion in entrepreneurship, collaboration and consumer-empowerment.

The traditional notion that, politically, we can apportion basic ideas and concepts to being of either the left or the right, is being turned on its head. Capital and labour, collaboration and competition, society and economy are working together to drive the growth in the social economy. It is creating wealth, jobs and social capital. It is becoming an important British export, as well as having a profound influence on the mainstream economy at home.

Social enterprises and co-operatives are outperforming just-for-profit businesses; alternative banks have better returns on assets, lower volatility and higher growth; and a growing proportion of start-ups are socially-driven. Ordinary consumers are buying more from social enterprises, and joining co-operatives. In fact the UK now has more people who are member-owners of co-operatives than direct shareholders in businesses.

The growing social economy

Social enterprises have three times the start-up rate of traditional SMEs, and are now estimated to account for 15% of all SMEs in the UK. Since 2009 the number of co-operatives has increased by more than 25%, with a combined turnover of £37 billion last year. Almost half of all registered charities in the UK now consider themselves to be social enterprises – trading for good causes. Social investment is a growing global phenomenon, with the UK as the clear leader, with a market that is growing exponentially. Housing associations and further and higher education providers are playing an increasingly important role in the social economy.

A pro-social economy for the UK

We have moved beyond an understanding of social advancement as the preserve of state and voluntary action, and markets as a vehicle for the pursuit of financial return. Instead there is a growing recognition of the power of enterprise as a strategy for social change, and markets as a force for joint endeavour and progress.

People are collaborating within neighbourhoods and social groups to tackle local problems: empty shops; health and social care needs; graduate unemployment. Communities and enterprises are collaborating to meet the energy crisis head-on, and to tackle financial exclusion through alternative lenders and banks. They are part of the social economy. They are uniting financial and social value.

This represents a real opportunity for sustained growth more broadly, where communities are able to create wealth and to keep it anchored where it grows. Across Europe and across the globe, the race is on to build socially-productive businesses, democratise markets and reconnect with our institutions. The UK is recognised as a world-leader in the development of a more people-powered, crowd-funded economy. Policy at the national level must now support an economy that turns the ingenuity and passion of citizens and communities into economic, environmental and social value.

We need:

— **A pro-social economy** — too often, our old methods of working and regulation get in the way of smart, pro-social economic action, and this needs fixing.

— **A smarter state** — that uses its own buying power to create social value, delivering greater return for taxpayers' money while improving the business environment. A state that supports a pro-social economy.

— **Pro-social ownership** — a new approach to land ownership, finance, and the management of our most critical institutions, which can spread prosperity across communities and renew our crumbling social and economic infrastructure. Communities where citizens have a real stake in each other's future are more stable and resilient.

— **Enterprise for good** — enabling a revolution in local economic growth through enterprise, innovation and job creation.

— **Open business** — to encourage and enable businesses to make a fair contribution when it comes to tax, wages and protecting the planet, and to turn social value into competitive advantage.

A pro-social economy for the UK

There is growing evidence that citizens and businesses alike want to 'do the right thing' when it comes to making pro-social choices, if and when they are available. Too often, outdated ways of working and regulation in the UK mean they are denied these choices, and are incentivised or obliged to make decisions that don't allow them to maximise social, as well as financial value.

We propose:

— The Treasury is given a mandate to measure and grow social as well as economic value with the creation of a new, powerful, **Social Value Unit**. The National Audit Office and Office for National Statistics would also be given a mandate to consider social as well as financial value in their work.

— **Saving for good** — a French-style solidarity fund rule that compels pension fund managers to offer savers a choice of at least one socially-orientated investment fund. Under the French system, savers can choose a regular liquid fund structure where most of their money is invested in environmentally and socially responsible companies, and a significant proportion is used to finance social enterprises, co-operatives and housing associations. Research shows that these funds perform as well as traditional ones.

— **Pro-social taxation** — the tax system must be used to incentivise more socially and environmentally responsible business models. Lessons can be learned from the corporation tax, National Insurance and VAT rules for Italian social co-operatives. Existing tax breaks such as Community Investment Tax Relief, Social Investment Tax Relief and Gift Aid should be strengthened to incentivise investment in all businesses that exist for the benefit of society.

— **Pro-social regulation** — under current law, company directors and owners, shareholders and investors, as well as pension and charity trustees can take a range of factors and stakeholders into account when they are carrying out their fiduciary duties. But this is not always clear or well-understood. Instead, narriw financial concerns are assumed to take precedence over social or environmental concerns. The next government should make it easier for people who own or invest in businesses to recognise, account for and report on the social value they create alongside the financial value, putting these twin factors on a more equal footing.

Smarter State (public services)

Government can go much further to encourage socially and environmentally responsible business through how it uses taxpayers' money. Existing social value legislation has enjoyed cross-party support, and has been embraced by private businesses and social economy organisations alike.

We propose:

— **A Social Value Act** that is extended to goods and works, infrastructure development and the management and disposal of assets. Public bodies would publish their social value priorities and weighting of contracts toward them. They would include in tender evaluations whether a bidder is transparent about its tax arrangements, meets Fair Tax Mark standards, pays the Living Wage and meets appropriate targets on apprenticeships. Public bodies would enforce minimum standards, doing business only with firms that pay living wages and fair taxes.

— **Local by default** — budgets and decision-making powers should be handed to the most local level appropriate, and be designed around the needs of service users. This is in contrast to the failure of upscaling and standardising public services, using multi-million pound contracts which waste public money and deliver poorer outcomes. By taking this approach the UK could save an estimated £16 billion a year and see improved public services for individuals and communities.

— **A Public Service Users' Bill** to give people more voice and power in-decisions on public services, such as a Right to Recall a provider in the case of a significant breach of trust, the ability to trigger investigations, user-led rating systems, the right to choose their own provider in certain circumstances and the Right to Observe the Board of the public service provider.

— Following the Ministry of Justice's precedent of a **25% threshold,** no single supplier should be allowed to take up more than 20% of a critical public body's budget, or have more than a 20% share of an important public service market. This would include services delivered in supply chains.

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— **New EU rules** enable public bodies to reserve agreed health, social and cultural service contracts to social enterprises for a time-limited period. They should be enacted in the UK. They would mean only social enterprises that have a public service mission, reinvest profits in pursuit of that mission, and are either employee, user or stakeholder owned or managed, can be awarded certain contracts.

— **Mending public service markets** — the new Competition and Markets Authority should be given greater powers to intervene in public service markets, responsibility to shape more diverse markets, and competition law should recognise the role of social and environmental externalities in distorting patterns of competition.

— **Government grant-funding** should be reformed to help receiving organisations improve their impact. Funds are currently not effective at helping build impact or sustainability, and therefore do not provide value for money, and fail to meet long-term policy goals. Improved funding methods have been successfully developed in the US and certain parts of UK government, and the idea should now be rolled out more widely. This can help civil society organisations be very successful at public service delivery long-term.

GOVERNMENT CAN GO MUCH FURTHER TO ENCOURAGE SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE BUSINESS.

Pro-social ownership

Serious problems in our neighbourhoods and local economies are a direct result of the way that land is owned and managed. 'Land-banking' and the practice of leaving usable commercial and residential properties empty are distorting the economy. More productive use of land is key to tackling housing and infrastructure development, as well as renewing our high streets and community assets. Genuine community ownership can incentivise and encourage development, supporting its popularity in communities and enabling citizens to participate and engage in the development of local assets and infrastructure.

We propose:

— **A Royal Commission** on Land Reform with powers to propose how land ownership and management in the UK could be more socially, environmentally and economically productive. This is critically important when the nation faces a housing crisis, as well as a blight of empty commercial and residential properties in many areas.

— **A Beat the Blight Bill** — government should create incentives for landlords to use empty commercial property and land. Levies on empty property would incentivise absentee landlords and land bankers to bring unused property back into productive use. Local authorities would be allowed not only to offer business rate discounts, but also to levy surcharges on some business rate payers.

— **Community assets** — new and existing infrastructure and utilities should be opened up to community ownership, giving local communities the chance to own a stake in, for example, renewable energy projects. New energy, water, road and rail, supermarket, garden city, regeneration and housing developments, should, at the feasibility or planning stage, set thresholds for community ownership, keeping asset ownership democratic, and profits reinvested in communities and in the UK. This can be done through a Social Finance Initiative, with a public interest asset lock, and the extension of a Community Right to Buy.

Enterprise for good

The last few years have seen a start-up explosion among social enterprises, and in entrepreneurship more generally. This is something that needs to be nurtured, to build innovation and social value into our economy.

We propose:

— **LEPs** should be required to report on the results they have achieved through the deployment of the 20% of their EU grant that is allocated to the delivery of social impact. They should be mandated to include representation from the social sector, so that social enterprises and voluntary organisations, which are increasingly important players in local economies, are represented.

— **Welfare-to-work that works** — the next government should open up the market for employment services using personal budgets for jobseekers, enabling them to choose the right support for their circumstances. This would create opportunities to match up SMEs and NEETs, and develop suitable support for those with health conditions and disabilities. We should also learn from the activity co-operative model that is being used in France, Belgium and Quebec. These act as a launch-pad for people on benefits who are budding entrepreneurs to make the transition from benefits to self-employment, with the support of peers who pool skills, ideas and experience.

— **'Enterprise apprenticeships'** should be an important route out of unemployment. Social entrepreneurship should be included within the apprenticeship framework so that young people can start their own social ventures, while being mentored and gaining experience in a host enterprise, operating in the same or a related industry while learning with a college or other education provider. For aspiring entrepreneurs on Job Seekers Allowance, the new Enterprise Allowance Scheme should be strengthened so that an apprentice entrepreneur would draw down a salary similar to that of a regular apprentice, and assigned an appropriate host business that would support them.

— **Practical learning** should be harnessed to support budding and accomplished social entrepreneurs and self-employed people. Entrepreneurs learn by doing; from peers and practitioners. The next government should champion learning opportunities that are effective at supporting social entrepreneurs when they start up, when they create jobs for others, and when they bring social enterprises to scale.

THERE IS A NEED TO BUILD INNOVATION AND SOCIAL VALUE INTO OUR ECONOMY.

— **Entrepreneur "L" plates** that provide a window of tolerance to first time social business start-ups, reducing barriers to entering self-employment and social entrepreneurship. The L plate would allow a number of reliefs, discounts and deferments for at least one year, bringing a range of government support mechanisms under one brand for first-time entrepreneurs. This would include one-to-one guidance and advice on tax and benefit issues, an extra 3 months grace on production of first accounts, income tax relief, business rate relief and freedom from compliance charges. Suppliers would be encouraged to offer discounts on a range of services such as book-keeping, banking, insurance, premises, and IT, packaged under the single brand.

The sort of responsible business that all political parties aspire to can only be done with greater transparency across the economy.

We propose:

— **A Community Banking Act** for the UK to promote fair finance and a diverse banking sector. Banks and other finance providers would be obliged to properly disclose their lending to and deposits from, small businesses and civil society. And, area-by-area, this would include the provision of basic bank accounts, branch location and free-to-use cash machines, and all feesand charges. The FCA or Bank of England would have responsibility and resources for independent oversight of this obligation and powers to act in response.

SOCIAL ENTERPRISES ARE NOW OUTPERFORMING JUST-FOR-PROFIT BUSINESSES.

— **Financial inclusion** — unmet demand for finance among individuals and organisations that do not qualify for traditional bank funding has reached more than £6 billion. The next government should commit to every community having a local model of integrated community saving and lending. This would bring together credit unions and CDFIs, emerging local impact funds, alternative lenders and challenger banks, with the support of local authorities, LEPs, housing associations and others. These 'Community Banks' would provide accessible andresponsible personal finance for start-ups, micro, small, and social enterprises, taking on payday lenders and doorstep lenders, out-competing loan sharks, meeting market failure and underserved need.

— **Transparency for taxpayers** — Freedom of Information legislation and Open Book Accounting rules extended to any business delivering public services (beyond a turnover threshold). This would create a level playing field for public service users and ensure that accountability is real across sectors engaged in delivery.

— **Public bodies release data on contracts**, coverage of services including places and beneficiaries covered, terms of contracts, unit costs, Key Performance Indicators, and outcome data. Past performance must be a factor in procurement decisions. This is to ensure that poor delivery or delivery failure is no longer met with the award of further contracts.

— **Open business** — legislation for greater and more proportionate transparency, disclosure and accountability of business activities, such as the reinstatement of the Operating and Financial Review (OFR), are needed. There is widespread, cross-sector support for the creation of mechanisms for businesses to demonstrate their commitment to transparency on tax, pay ratios, diverse boards and social and environmental impact, learning from the experience of the B-Corp model, the Fair Trade and Fair Tax marks and the Buy Social badge.

— **Pro-social incentives for banks** — penalties for financial service providers and the banking levy should be directly reinvested over the long-term in emerging models of socially and environmentally conscious finance, creating a further incentive for banks to operate with greater responsibility.

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