



Chancellor of the Exchequer  
The Correspondence and Enquiry Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

29 January 2016

Dear Chancellor

### **Social Enterprise UK Budget submission**

I am delighted to submit Social Enterprise UK's Budget submission for 2016.

The Comprehensive Spending Review sets very tough departmental spending limits; we have restricted our submission to as yet unfulfilled manifesto commitments; policies which will save money; and, areas which we know are of interest to Ministers.

### **Support to start social enterprises**

The Conservative manifesto promised to “give more people the power and support to...start their own social enterprise...”<sup>1</sup>

We are yet to see any substantive policy or funding stream which will fulfil this pledge. Whilst the Government's commitment to social investment is well established, this has not been matched by policy to support your commitment to social enterprise start-ups. Arguably, there is already a mismatch between the supply of social finance and the demand from social enterprises.

As part of this, we believe that greater attention needs to be paid to the Government's business support offer, which is currently rather fragmented. Whilst we welcome steps by the Government and Local Enterprise Partnerships (LEPs) to develop Growth Hubs which will help business make sense of the range of support at local, regional and national level, we urge the Government to ensure that Growth Hubs engage with social enterprises as well as more traditional business models.

With an ever more devolved local government settlement, we recognise that central Government does not necessarily have the power or inclination to direct local communities over the medium term. We suggest then that the government, at the devolution deal negotiation stage, agrees with local communities that they consider how they might support the growth of social enterprise in their areas.

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<sup>1</sup> Conservative Party Manifesto 2015 page 45

## **Support for public sector mutuals**

The Conservative Manifesto pledge to “guarantee a ‘right to mutualise’ within the public sector”.<sup>2</sup>

The Mutuals Support Programme was seen by many as a resounding success; health mutuals in particular have proven to be one of the most innovative, dynamic and cost-effective delivery models for the NHS. With the appropriate support, we are confident that this model can be extended in other areas.

However, mutuals have emerged more slowly across other areas of the public sector in an unsupported and haphazard manner. In the absence of central support and direction there is a very real danger that your manifesto commitment remains unfulfilled, any new bodies will be unsustainable, and significant opportunities for reform and efficiency across public services will be lost.

It is not too late to get the mutuals agenda back on track, so they can rightfully take the place as a central pillar of the efficiency savings, as identified by the Cabinet Office in [Efficiency and Reform in the next Parliament](#).

We understand that the Mutuals Team is being transferred to the Social Finance team within the Cabinet Office and our hope is that this will provide new impetus. The Budget offers an opportunity to provide central support and kick start the policy.

### **The Public Services (Social Value) Act 2012 and City Deals**

Lord Young published his review of the Public Services (Social Value) Act last year. Officials in the Cabinet Office have made steady progress in implementing his recommendations.

Lord Young identified a window of opportunity in the middle of this Parliament where a further review or strengthening of the Act would be possible. There is now a substantial body of evidence to demonstrate that where the public sector uses the Social Value Act effectively, meaningful savings are made. Given the scale of efficiency savings needed, there is now a compelling case to extend the Act beyond services to include goods, works and infrastructure.

Additionally, we propose that Government can play a proactive role in agreeing with local communities how extending the Act could be part of devolution deals.

## **Channel 4**

“The government has made no decisions regarding reform of Channel 4. The government is considering a range of options as to how best to ensure Channel 4's future sustainability while maintaining its ability to deliver against its remit, including options put forward by Channel 4.”<sup>3</sup>

We recognise that the Government is considering the broadcaster's future. We suggest that if change is needed the best -and easiest solution- is turn Channel 4 into a social enterprise,

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<sup>2</sup> Conservative Party Manifesto 2015 page 49

<sup>3</sup> SoS for DCMS response to several PQs 2015

a decision that delivers many of the advantages of traditional privatisation whilst providing a cast-iron guarantee that the broadcaster's mission is maintained.

A social enterprise Channel 4 has considerable merit. It generates 'competition of form' within the broadcast media, and therefore genuine consumer choice of model, being different from the BBC, Sky plc or the ITV network. Because social enterprises are majority controlled in the interests of their mission, a social enterprise C4 would retain its 'innovative, experimental and distinctive ethos'. It is likely to be a relatively smooth transition as its Chief Executive has previously described Channel 4 as a social enterprise in principle. This would guarantee genuine competition without some of the potential downsides or reputational challenges.

That is just our view of course. Our request for you is simply that in considering the future of the broadcaster, that, as per HM Treasury guidance, you commit in the Budget to explore the full range of options for ownership and governance of the broadcaster, including social enterprise, mutual, golden share, joint venture, rather than merely the blinkered, unimaginative choice between public and private which hark back to the 70s and 80s.

Yours sincerely

James Butler

Public Affairs Manager, Social Enterprise UK

E: [james.butler@socialenterprise.org.uk](mailto:james.butler@socialenterprise.org.uk)