



Funding the Big Idea

Big Society Capital will help to fund a revolution in social enterprise

The Government has struggled to articulate the Prime Minister's big idea of the Big Society. It has conspicuously failed to generate much excitement around what is, in fact, an appealing theme — empowering individuals. As a result, the Big Society is most frequently seen as encouragement for volunteering or a cover for public spending cuts. Or, sometimes, a bit of both.

The Big Society makes sense best when it emphasises the scope for innovative social enterprises and charities to take on those social problems that the public and for-profit sectors have either failed to tackle or failed to solve. Yesterday, the launch of the Big Society Bank, or, as it will now be called, Big Society Capital, gave the Big Society more weight.

The change of name may simply reflect the fact that nobody wants to be called a bank these days. But it also more accurately reflects its mission. That is to apply to the world of social entrepreneurship the lessons learnt from the impact of venture capital and private equity on the world of business over three decades. Sir Ronald Cohen, one of the pioneers of venture capital in Britain

and interim chairman of Big Society Capital, rightly claims that the sector is on the cusp of a revolution. Social impact bonds, which pay out dividends to investors according to the meeting of social targets, are just one of the new ideas being tried out by a new wave of social enterprises, often making use of the skills of former City professionals. Good ideas and talented people are in plentiful supply but funding is short, particularly because of the squeeze on local authority budgets.

Big Society Capital will be able to provide some of that funding, using the estimated £400 million in unclaimed assets left dormant in bank accounts for more than 15 years and £200 million provided by HSBC, Royal Bank of Scotland, Lloyds Banking Group and Barclays. The banks took some persuading, particularly when it became clear that they should not be expecting to make a commercial return on their money. But the sums involved are not huge in relation to, say, their annual bonus payments. And, if it all works to plan, the money should have a big impact.

The new institution will not, strictly speaking, be a bank, in that it will not be able to borrow to

make its funding go further. But the hope is that it will pull in further donations and that it will attract co-investment in individual projects from charitable foundations, institutional investors, companies and private individuals. It will also act as a champion for social investment with policy makers, investors and the public.

Big Society Capital's birth has been difficult and there are plenty of hurdles still to overcome. For example, it cannot use public funds until it gets state aid approval from Brussels next year. It is not yet clear what sort of enterprises its investment committee will back. But it will be run by an experienced team, headed by Nick O'Donohoe, former head of research at JPMorgan, and overseen by a heavyweight trust board.

There has been plenty of politicking and muddle around Big Society Capital, even before it has got to work. But finding new ways of rewarding performance by results is severely needed in areas such as prisons and probation, social care and community work. The Big Society is a good idea with which too little has so far been done. This is an experiment that deserves to succeed.