SUBMISSION FROM SOCIAL ENTERPRISE SCOTLAND

Social Enterprise Scotland supports a robust but inclusive definition of social enterprise, as defined by the Voluntary Code of Practice for Social Enterprise in Scotland.

Many (but not all) co-operatives and employee owned businesses are social enterprises. We see co-operative social enterprises as very much part of a broad and diverse social enterprise community. Examples include Media Co-op and Graphics Co-op.

We recognise that other co-operatives and employee owned businesses, as well as local and family SMEs and ethical businesses, also contribute greatly to society and often play a positive role in our communities. We already have a strong dialogue with private sector businesses and will continue to build on these relationships.

The priority of Social Enterprise Scotland is the growth and development of social enterprises in every rural and urban community. For this to succeed we need mass public awareness of what social enterprises are, what they do and the positive impact they make for everyone in Scotland.

In the longer-term we believe that social enterprise must become the normal, default business model in Scotland. Democratic co-operatives and employee (and community) ownership must be a central part of a new, inclusive business landscape.

As public understanding increases about the negative impacts of some businesses and the many failings of these old economic models, we believe that this need to change will become increasingly urgent. Corporate Social Responsibility (CSR) and businesses “giving something back”, while welcome, is no longer enough.

In addition we have a public sector constrained by financial pressures and desperate for innovative, efficient solutions, as well as an unsustainable voluntary sector that is, by its very nature, dependent on decreasing private and public funding.

Social enterprise is not a panacea for all of these challenges and it is not a perfect set of business models. Building the real capacity to deliver should be a central concern as we seek to grow and develop strong, sustainable and responsive enterprises - and social enterprises of genuine scale, where this is needed.

However, within the context of the wider economy and an economic system no longer fit for purpose, we believe that social enterprises hold the key to help improve Scottish society for the benefit of everyone. Scotland’s Economic Strategy talks about the mutually reinforcing themes of competitiveness, tackling inequality, inclusive growth and innovation. We support this view and any moves towards measuring the social and economic impact of all types of businesses.

The central aim of the next Scottish Government and Parliament must be to create the right conditions for the genuine mainstreaming of social enterprise. This means incentivising and encouraging a fundamental shift in the culture and attitudes within Scotland’s business community, as well as within the public and third sectors.

We refer the Committee to our draft manifesto of policies for the forthcoming Holyrood election (see end of this document, currently out to consultation). We ask that the next Scottish Government and Parliament develop and implement the final versions of these policies for the benefit of everyone in Scotland.
Our aim in everything we do - and the core aim of the manifesto - is to propose practical, realistic and affordable policy solutions to realise the vision of a social enterprise society in Scotland. Innovation is the very definition of social enterprise and we welcome and appreciate this inquiry and the opportunity to give evidence.

1 Understanding the scale and growth of social enterprises and employee-owned businesses in Scotland.

In terms of the scale and growth of Scotland’s social enterprise community the most relevant and current research is Social Enterprise in Scotland: Census 2015. Before this research was produced we relied on a patchwork of local mapping studies, organisation directories and memberships of social enterprise bodies, as well as data from regulated sectors, such as credit unions. We hope to maintain the collaborative approach of the Census research steering group and repeat the exercise periodically. The size and growth of credit unions and housing associations, in particular, underpins the social enterprise community with solid foundations. These are two of the giants of social enterprise.

To understand the scale and growth of social enterprise, some of the headline statistics of the research include:

- Over 5,000 social enterprises in Scotland
- Over 200 new social enterprises formed each year
- Highlands and Islands has 22% of all social enterprises
- Edinburgh and Glasgow account for 26% of all social enterprises
- Provides over 112,400 jobs (for comparison, this is around the same number as Scotland’s food and drink sector, more than the energy or creative industries sectors and well over half the numbers working in financial services).
- £1.15bn in combined traded income
- Net collective assets £3.86bn
- Gross Value Added (GVA) figure is approx. £1.7bn
- 42% formed in the last 10 years, with an average age of 17 years
- A small business economy - 60% operate at turnover below £100k

2 Hearing examples of innovation from businesses, for example employee involvement in developing new products, services or processes and innovative partnerships within communities.

There are many examples of social enterprise innovation from across Scotland. Case studies are an ideal way to demonstrate the creative ideas and innovations that are at the heart of social enterprise. In addition to the innovative social enterprises giving oral evidence to the EET Committee, some examples include:

**Mental health** - *Life-Pod Clutter Management* - provides expert advice and practical support to people affected by hoarding disorder and other conditions resulting in chronic disorganisation.

**Postal services** - *Delivered Next Day Personally* - a professional courier delivery and mail delivery service, allowing people with disabilities to enter sustainable employment, improving and transforming lives.

**Social housing innovation** - *ng2 (part of ng homes)* - employing and upskilling local people to deliver stair lighting, property repairs, environmental services, painting and concierge services.
**Data management - Mydex Data Services** - helping people manage and control their own personal data, providing personal data management services and a safe, secure and convenient means for individuals to share information.

**Ethnic minorities - Elite Linguists** - strengthening Scotland's public service interpreting and translation provision, thereby addressing some of the root causes of inequality and injustice where language can be a barrier.

**Private rented sector - Homes for Good** - a letting agent raising standards in the private rented sector, with a clear commitment to creating secure, quality homes, with the impact homes have on people's lives at the centre of the business.

**Performing arts - Out of the Darkness Theatre Company** - A professional theatre company that specialises in social inclusion, education, training and experience in theatre and challenging public perception and raising awareness of disability issues.

3 **Assessing the sources of funding and support available.**

There are many sources of funding and social investment available. The barriers in accessing finance can include: lack of awareness of what is available, restrictive eligibility criteria (perhaps due to e.g. the specific remit of a charitable trust), complexity of applications, cost of repayments, lack of investment readiness, risk aversion (boards and management) and lack of assets to lend against.

Social Enterprise Scotland recently launched the Scottish Social Investment Forum (SSIF) that brings together all of Scotland’s social investors on a regular basis for the first time, to break down some of these barriers. The Funding Scotland website can also be used by social enterprises and we regularly signpost members of the public to a variety of funding and finance sources.

Business support and resources can be accessed from different sources, including Just Enterprise (a consortium of ten specialist organisations), local and themed Social Enterprise Networks (SENs), local Business Gateways, local Third Sector Interfaces (TSIs), Highlands and Islands Enterprise (including their Strengthening Communities social enterprise remit), Scottish Enterprise and others.

Some issues around business support can include: poor co-ordination and lack of referral/signposting between providers, quality of business support, restrictive criteria for access and duplication of business support.

4 **What public bodies are doing and should be doing to encourage these business models.**

**What public bodies are currently doing**

Much of the social enterprise focus in terms of the public sector is on local authorities, that are often the first point of call for social entrepreneurs. There are certainly some good local authorities in Scotland supporting the growth and development of social enterprises. Social Enterprise Scotland currently has four local authority Associate members.

The Social Enterprise Local Authority Group (SELAG) was founded by Social Enterprise Scotland and local authority partners. The group brings together relevant local authority (inc. some Business Gateway) officers who have specific social enterprise support roles. The group shares best practice, debates and discusses issues and learns from guest speakers around specific themes.
An increasing number of local authorities from both urban and rural Scotland have developed social enterprise or social economy strategies, with a range of methodologies and formats. This is a welcome development and we would like to see all local authorities develop a specific social enterprise strategy.

The Ready for Business programme for social enterprises and public sector commissioners is a welcome development (alongside the Procurement Reform Act and Community Empowerment Act) and should continue and improve. It includes the development and growth of innovative Public-Social Partnerships (PSPs) and Community Benefit Clauses (CBCs). NHS Scotland and other public bodies are actively involved with PSPs, CBCs and similar partnership initiatives.

Some public services are already being delivered by social enterprises and private sector providers and we should learn from these and replicate success stories. Atlantis Leisure in Oban is an example of leisure services being delivered by a social enterprise. A lot more can be done in this regard across Scotland.

**What else public bodies should be doing**

While there are good practice examples of innovation across Scotland, our local and national public sector organisations can do a lot more. We need to encourage more radical and independent thinking among local elected members and officials in public bodies, to ensure that we deliver efficient and quality goods and services for everyone.

Legislation (e.g. the Procurement Reform and Community Empowerment Acts) takes a long time after implementation to create a real, lasting shift in the culture of local authorities, the NHS and other local and national public bodies.

As a general guideline the typical model for public services should be social enterprise, democratic and local, not large, remote and corporate. The trend in handing contracts to big businesses, where profits for shareholders is their top priority, can never put the interests of communities first. Whether that’s in the provision of employment services or indeed in any other area.

Public services should operate with flexibility, joined-up working and prevention as the starting point, with the direct involvement of members of the public and social enterprises at every level of design and delivery. Public-Social Partnerships (PSPs) should be the norm.

The creation of public sector spin-outs should be considered, transforming some public services, such as NHS Scotland specialist health services, into independent, democratic, employee managed co-operatives.

We need to resource tailored business support to encourage public sector arms-length companies (ALEOs) to become fully independent, authentic social enterprises. Plus mandate ALEOs to work in *supportive and constructive partnerships* with local, established social enterprises.

When awarding any contract, commissioners should ensure that the assessment criteria is fully transparent, followed by *ongoing* measurement of the true social impacts of the organisation.
For the Good of Everyone - Draft Manifesto for Social Enterprise - Election 2016 (draft version only, currently out to consultation until the 2 February 2016).

Our consultation for policy priorities for The Scottish Parliament elections closed on Wed 23 Dec. The consultation was open to any and all social enterprises in Scotland and was widely publicised. We received many practical, useful and important ideas to formulate our election manifesto for social enterprise.

We now have a draft manifesto for consultation to Social Enterprise Scotland social enterprise and start up members. The final draft will be designed and sent out to all election candidates and other relevant audiences.

Bringing together all the diverse and varied expertise, experiences and suggestions from our social enterprise community is always a challenge and we hope that we have captured as many views as possible. Our aim is always to propose positive, constructive and practical policy solutions - and to campaign for fundamental change to benefit all social enterprises.

It's also important to note that the manifesto is not just designed for this election. Alongside the vision and strategy for social enterprise and the Census results, the final version manifesto will be something we campaign on for the whole term of this parliament.

#VoteSocialEnterprise

Introduction

We've reached a turning point in the journey of social enterprise in Scotland.

The 2016 Scottish Parliament election is a unique chance to make our collective social enterprise voice heard loud and clear. Rapidly increasing public and media awareness, comprehensive statistics for the very first time, a national vision and strategy, a supportive national policy environment and the gradual opening up of public services to social enterprise innovation means a perfect storm of opportunity.

Social enterprises seek to change the world but we also need realistic expectations and appropriate support. We believe in partnership and shared values with others. We seek to build bridges outwards to the private sector, particularly to ethical and green businesses, aspiring social enterprises and local SMEs, as well as to our friends in the public sector.

Influencing the 2016 election candidates with this manifesto is just the starting point, as we seek to change or improve the policies of The Scottish Government and Parliament and public bodies over the next few years.

2016 is your time - it’s a time for social enterprises of every kind and in every part of Scotland. Please share this manifesto in meetings with business and public sector contacts, post it on social media and send to all your friends and colleagues in social enterprise and beyond. Together we’ll make a real difference.

Policies

Promote and protect the social enterprise brand - The Scottish Government and Parliament, local authorities, public bodies and others should appreciate social enterprise diversity and be fully informed about what we mean by “social enterprise” in Scotland (i.e. The Voluntary Code of Practice), including, for example, no reclassification of Housing Associations as public bodies. Recognise social enterprises as key economic drivers and as businesses run by professionals. Work in partnership with the social enterprise community to promote and mainstream social
enterprise as the business model of choice for start ups, for commissioners of contracts, for investors and for consumers.

**Building mass public awareness** - A national, well-resourced advertising campaign to raise the profile of social enterprise across Scotland - essential to boost the sale of social enterprise goods and services. A campaign should include TV, radio and billboard advertising and include the promotion of all types of social enterprise, in full consultation with all social enterprise representative bodies. Preceding this campaign social enterprises should be offered quality, tailored training in marketing and media communications, with funding to improve online trading and marketing tools.

**A global outlook** - Social enterprises that want to export should be given full, tailored support to do so by the appropriate business support organisations. The public sector should be mandated to choose social enterprise and international fair trade goods and services whenever possible. Invest in and support local social enterprises that are at the forefront of tackling global climate change and supporting refugees and asylum seekers, as well as migrants. Regularly learn from other European nations and beyond about how to improve public services, replicating success from other countries across all strands of public policy.

**Social enterprise at the heart of the Scottish Business Pledge** - Build upon the nine commitments in the Pledge (particularly the Living Wage pledge) to include "Opening your supply chain to at least one social enterprise" and heavily promote the Pledge to all private sector businesses, including as part of the process when awarding any public sector contract.

**Transforming public companies** - The typical model for public services should be social enterprise, democratic and local - not large, remote and corporate. All public services should operate with flexibility, joined-up working and prevention as the starting point, with the direct involvement of the public and social enterprises at every level of design and delivery. Explore the creation of public sector spin-outs, transforming some public services into independent, democratic, employee-managed co-operatives. Resource tailored business support to encourage public sector arms-length companies (ALEOs) to become fully independent, authentic social enterprises. Mandate ALEOs to work in supportive and constructive partnerships with local, established social enterprises. Public-Social Partnerships (PSPs) should be the norm. When awarding contracts, commissioners should ensure that assessment criteria are fully transparent, with ongoing measurement of the true social impacts of the organisation. Freedom of Information (FOI) laws should be extended to cover any big, for-private-profit business delivering Scottish public services.

**Continue and improve business support** - Continue, review and improve specialist social enterprise business support, as provided by Just Enterprise and others. Learn from and replicate the Strengthening Communities approach from Highlands and Islands Enterprise in all public sector business support. Recognise and adapt to distinct rural and urban needs. Improve all support by learning about business needs from Social Enterprise in Scotland: Census 2015.

**Boost social investment and funding** - Promote and build a combined affordable loan and grant model of social investment, to encourage an independent, enterprising culture in all social enterprises and voluntary sector organisations. Consider reduced loan repayment rates linked to business performance. Explore a Scottish Government-backed loan guarantee scheme. Continue to support innovations such as Community Shares. Look into an “open creativity” risky investments fund, with small loans and few restrictions to encourage unusual and experimental innovations. Encourage local authorities and all other relevant local forums to protect and enhance social enterprise support budgets, mandating a specific percentage of the local authority budget for social enterprise development. Ensure all loan/grant applications are simple, accessible, flexible and without overly restrictive criteria, with equal opportunities for all sizes and types of
social enterprise. Ensure that all funding decisions are open, transparent and inclusive as standard. Implement a pro-active, specific and co-ordinated divestment policy around unethical uses of public money by all national and local public bodies.

**Targeted tax cuts for social enterprises** - Understand and appreciate the many challenges that social enterprises experience in addition to the challenges of running a standard business. Prioritise measured, targeted tax cuts to all current and newly devolved taxes applying to business, to level the playing field. Cut taxes and contributions paid by social enterprise employees wherever possible, to attract people to a career in social enterprise. Consider introducing Business Rates for empty business premises to boost regeneration and encourage productive use for local communities.

**Value interns, volunteers and apprentices** - Invest in, replicate and improve on successful initiatives like Community Jobs Scotland and Third Sector Internships Scotland to encourage people of all ages to get experience working in social enterprises and consider social enterprise as a serious, professional career option. Use the full resources of Skills Development Scotland and similar public agencies to realise this potential, with a specific social enterprise remit. Protect any potential loss of social security benefits as a result of volunteering and recognise and value this voluntary community contribution.

**Social enterprise in our schools** - Ensure that practical social enterprise skills and expertise, ethical living, community-led regeneration, co-operative values and new economic thinking are mainstreamed throughout the school curriculum. Bring in the expertise of social entrepreneurs and youth enterprise organisations and organise visits to local social enterprises. Learn from, promote and replicate the increasing number of innovative social enterprises led by young people in Scotland’s schools.

**Local solutions as standard** - Solutions to our social and environmental challenges are best solved at the most local level possible, in our neighbourhoods, streets, villages, towns, cities and islands. Policy-making and service delivery should be devolved from The Scottish Government and Parliament and public bodies to the local level at every opportunity - from preventative healthcare to employment support, community renewable energy and more. This doesn’t just mean to local authorities - but equally importantly the empowerment of individuals, social enterprises, development trusts, community groups and other hyper-local and democratic forums. All new and existing policy powers of The Scottish Government must be pro-actively used to build a fair, equal, inclusive and socially enterprising Scotland.