1. Purpose of Paper

This paper provides the Economy, Energy and Tourism Committee with written evidence on social enterprise and is submitted by Social Firms Scotland and Senscot. We welcome the EET Committee’s continued interest in social enterprise, which recognises the importance of an inclusive business model which is becoming more visible in Scotland. Our evidence will not cover employee-owned businesses as others are better placed to provide information in this area.

2. Introduction

The Govt’s Economic Strategy has a core message that improving economic competitiveness and addressing inequality are reinforcing, not competing, objectives. As the Cabinet Secretary for Finance, Constitution and the Economy, John Swinney, said at the launch of the census on social enterprise: ‘Social enterprise is a model of business which is putting our economic strategy into practice. It is a growing and increasingly significant part of our economic and social landscape.’

3. Key National Social Enterprise Intermediaries

There are a number of national and local SE support agencies that provide business support and representation for social enterprise. This paper is submitted by 2 of the national SE intermediaries: Social Firms Scotland and Senscot.

3.1 Social Firms Scotland (SFS)

SFS is the national support agency for Social Firms. Social Firms are a distinct type of social enterprise - distinct because they support people who experience barriers to employment - in particular, people with a disability, mental health issue, substance misuse, a prison record, homeless issue and young people. The first comprehensive mapping of social enterprise has shown that there are over 500 Social Firms (including Work Integration Social Enterprises) in Scotland and that the sector is growing. With the transfer of new powers to the Scottish Parliament in 2017 on Employability Services, in particular support for people who experience barriers to the work, we believe that Social Firms can play an ever greater role in engaging with and delivering positive outcomes for these client groups.

3.2 Senscot (Social Entrepreneurs Network Scotland)

Since 2000, Senscot has sought to focus on three main areas:

- Developing the Support Infrastructure for SE
- Senscot facilitates 22 Social Enterprise Networks (SENs) across the country - 18 are locally based, and 5 are thematic - Health; Culture/Creative; Community Food; Sport and Employability. There are currently over 1,000 social enterprises that are either members or actively engaged with the SENs.
• Connecting and Informing: Senscot has created a 'virtual' network via a weekly e-mail bulletin and SEN’s Newsletter that, together, now go out to over 5,000 individuals across Scotland and the rest of the UK.

4. Social Enterprise in Scotland

4.1 Defining Social Enterprise

In the absence of a legal definition of social enterprise in a Scottish (or UK) context, we use the following definition:

*Social enterprises are businesses that trade in the marketplace with the primary objective of social or environmental benefit. They tackle social problems, strengthen communities, work to improve outcomes and people’s life chances and protect the environment. They reinvest profits back into the business or for the benefit of the people they serve.*

The sector itself has developed a ‘Voluntary Code of Practice for Social Enterprise’ which is recognised as the basis for a self-regulating community in Scotland. While ‘the Code’ will continue to evolve, we remain steadfast in recognising the importance of ‘asset locked’ structures. The ‘asset lock’ locates SE within the wider objective – of changing the way society operates; so that business works for the common good rather than the unlimited gain of a few. This means that social fairness and the protection of the planet become the pre-conditions of all economic activity.

4.2 The Social Enterprise Census 2015

The social enterprise census was launched Sept 15, and is the first comprehensive mapping of the sector in Scotland. It demonstrates the scale, reach, contribution and potential of the sector. The size of the sector at **5,199 social enterprises** is larger than anticipated and with over 200 new social enterprises being formed each year and 66% or social enterprises expecting their income to increase over the next year, it is looking in a healthy state of growth. The sector employs over 112,000 people, has an annual income of £3.63 billion, combined assets of £8.77 billion and a net worth of £3.86 billion. The estimated economic contribution of social enterprises in Scotland is £1.68 billion. In addition, the sector is demonstrating positive employment practices for example: the majority of social enterprises pay at least the national living wage and 60% are led by women.

Whilst the data is impressive, it paints a picture of a sector made up of small enterprises – 60% turning over less than £100k. The infographic below shows the key findings of the census and the full report can be found at [Social Enterprise in Scotland Census 2015](#).

4.3 A Growing Sector

As evidenced in the SE Census project, there are around 5,000 SEs in Scotland. Social enterprise has a strong and growing presence, building on deep roots of community action and an inherent enthusiasm for entrepreneurship. They are active in many spheres, for example: *meeting environmental challenges, reducing health inequalities; financial inclusion, social housing & regeneration, sport, culture,*
community food; skills development & employability, social care and community transport.

In a continued period of a challenging economic climate and public service challenges lie significant opportunities for social enterprise - traditionally more focussed on the specific needs of individuals and communities, flexible, values driven with a great ability to innovate. In this context, the role of social enterprises should not be seen as an opportunity to achieve cost savings by driving down service quality. Instead, the flexibility of the social enterprise model should be harnessed to improve quality and achieve greater innovation. In order to grasp the opportunity SEs needs to be involved in service design and delivery, understand how to effectively compete and deliver sustainable services to the public and other markets.

5. Current Support to Social Enterprise

Since 2011, Scottish Government has invested in a number of programmes to support social enterprise.

- **A dedicated Business support contract** - delivered through [Just Enterprise](#), to help social enterprises become more sustainable, support start-ups, leadership development and importantly support to tendering for public sector contracts.
- **Developing Markets for Third Sector Providers** - delivered through [Ready for Business](#). This is a public sector facing programme which: supports buyers to embed [community benefit clauses](#) and social value considerations in public contracts; supports the creation of [public-social partnerships](#) to engage third sector expertise from the outset in the design and delivery of public services. We also facilitate a Community Benefits Champions Group which is a network of 60 + commissioning and procurement personnel from across Scotland’s public sector.
- **Supporting sector collaboration**: Social Firms Scotland and Senscot have jointly recruited a dedicated officer who supports social enterprises to develop partnerships / consortia and identify tender opportunities that might require collaboration within and across sectors. We need to intensify this activity to ensure that SEs are well prepared for market opportunities.
- **Investment Programmes** – Scottish Govt has previously put in place a number of investment programmes to support an enterprising third sector which have been invaluable to the sector’s growth and development. We hope that the new EU funds (2014-20) will provide the social enterprise sector in Scotland with further investment opportunities to boost their capacity and trading position and to fulfil their important role in providing employment opportunities and in tackling social exclusion and poverty. In addition, we welcome the need for investment to support wider social innovation activity to stimulate and develop new ideas, products and services.

6. A Vision for Social Enterprise 2025

SFS and Senscot are members of the SE Vision 2025 Steering Group, driving forward a new and ambitious strategy for the sector as part of Scottish Government’s wider Third Sector strategy. The Strategy will be informed by the SE Census 2015 and we will continue to engage with Government to co-produce a strategy that can
advance and strengthen the visibility and impact of the social enterprise sector over the next 10 years.

The main themes emerging include:

- **Building a movement** - more confident; more coherent; more wide-reaching
- **Building capability:** investment, business support and leadership development.
- **Building markets that are open to social enterprises and in which they can thrive**
- **Building on potential by making the most of assets available to us – human and physical assets**

For a summary of the SE Vision document, click here

7. **Conclusion**

Social Firms Scotland and Senscot would be happy to provide further evidence to the Committee on the issues raised in this paper.

Pauline Graham  
Chief Executive  
Social Firms Scotland
Key Messages

5,199
Social enterprises currently operating in Scotland

42%
Of Scotland’s social enterprises formed in the last 10 years

22%
Of all social enterprises located in the Highlands and Islands

112,409
Employees in Scotland’s social enterprise sector

60%
Of Scotland’s social enterprises led by a woman

67,768
Volunteers supporting the delivery of social enterprise activity

£3.63bn
The annual income of social enterprises in the country

66%
Of social enterprises expect their income to increase next year

54%
Of social enterprises generating half or more of their income from trading

£1.15bn
In traded income generated by Scotland’s social enterprises

68%
Of all social enterprises selling direct to the general public

£8.77bn
In combined assets on the balance sheet of the social enterprise sector

£3.86bn
The net worth of Scotland’s social enterprises

£1.68bn GVA
The estimated economic contribution of social enterprises to Scotland

45%
Of social enterprises operating with the stated objective of ‘creating employment opportunities’

200+
New social enterprises forming each year