

Appendix

Proposed Social Enterprise Strategy for Scotland

Further Information on the Consultation Paper and Response Arrangements

Responses

Comments are sought on all aspects of the consultation paper. All responses will be acknowledged within two weeks of receipt. Respondents are asked to state their name and whom they represent when responding. Responses should ideally be submitted on the attached form, an electronic version is available in the '[Social Enterprise Strategy](#)' section of the [Social Economy Unit](#) website.

Please note that responses can be as long or as short as you wish. There is no need to comment on every chapter if you do not wish to.

We can provide this consultation paper in large print, Braille or on audio cassette, and we can also provide translations into other languages.

Next steps

Communities Scotland will liaise with key stakeholders during the consultation process to ensure that as wide feedback as possible is encouraged, and to identify areas for further joint work on the detail of the proposals.

Consultation on Social Enterprise Strategy for Scotland

Responding to this consultation paper

We are inviting written responses to this consultation paper by **Friday 8 September 2006**

Please E-mail your response to:

[Social Enterprise Strategy Consultation](#)

or, send by post to:

The Social Economy Unit
SES Consultation
Thistle House
91 Haymarket terrace
Edinburgh
EH12 5HE

If you have any queries contact John Langlands on 0131 479 5331.

We would be grateful if you would use the consultation response sheet provided at the end of this document as this will aid our analysis of the responses received.

This consultation, and all other Scottish Executive consultation exercises, can be viewed online on the [consultations](#) web pages of the [Scottish Executive](#) website. You can telephone Free phone 0800 77 1234 to find out where your nearest public internet access point is.

The Scottish Executive now has an email alert system for consultations; [SEconsult](#). This system allows stakeholder individuals and organisations to register and receive a weekly email containing details of all new consultations (including web links). SEconsult complements, but in no way replaces SE distribution lists, and is designed to allow stakeholders to keep up to date with all SE consultation activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register.

Handling your response

We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the **Respondent Information Form** as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Executive are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

Next steps in the process

Where respondents have given permission for their response to be made public, (see the attached Respondent Information Form), these will be made available to the public in the Scottish Executive Library by **Friday 20 October 2006**.

We will check all responses where agreement to publish has been given for any potentially defamatory material before logging them in the library or placing them on the website. You can make arrangements to view responses by contacting the SE Library on 0131 244 4565. Responses can be copied and sent to you, but a charge may be made for this service.

What happens next?

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us reach a decision on developing a social enterprise strategy for Scotland. We aim to issue a report on this consultation process.

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to:

Name: Roddy Macdonald, Head of Social Economy Unit

Address: Thistle House
91 Haymarket Terrace
Edinburgh
EH12 5HE

E-mail: [Roddy Macdonald](mailto:Roddy.Macdonald@glasgow.gov.uk)

Respondent Information Form: Consultation on a Social Enterprise Strategy for Scotland

Please complete the details below and return it with your response. This will help ensure we handle your response appropriately. Thank you for your help.

Name: Abigail Howard, Head of Policy & Research, The Wise Group

Postal Address: 72 Charlotte Street, Glasgow, G1 5DW

1. Are you responding: (please tick one box)
- (a) as an individual go to Q2a/b and then Q4
- (b) **on behalf** of a group/organisation **X** go to Q3 and then Q4

Individuals

2a. Do you agree to your response being made available to the public (in Scottish Executive library and/or on the Scottish Executive website)?

- Yes (go to 2b below)
- No, not at all We will treat your response as confidential

2b. **Where confidentiality is not requested**, we will make your response available to the public on the following basis (**please tick one** of the following boxes)

- Yes, make my response, name and address all available
- Yes, make my response available, but not my name or address
- Yes, make my response and name available, but not my address

On behalf of Groups or Organisations:

3 The name and address of your organisation **will be** made available to the public (in the Scottish Executive library and/or on the Scottish Executive website). Are you also content for your response to be made available?

- Yes **X**
- No We will treat your response as confidential

4 If more than person has contributed to the group/organisation response, could you please give their names? This will allows us to know how many individual responses have been received; we will not make the names public.

Sharing Responses/Future Engagement

5 We will share your response internally with other Scottish Executive policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for the Scottish Executive to contact you again in the future in relation to this consultation response?

Yes	<input checked="" type="checkbox"/>
No	<input type="checkbox"/>

The Scottish Executive Consultation Process Sharing Responses/Future Engagement

Consultation is an essential and important aspect of Scottish Executive working methods. Given the wide-ranging areas of work of the Scottish Executive, there are many varied types of consultation. However, in general, Scottish Executive consultation exercises aim to provide opportunities for all those who wish to express their opinions on a proposed area of work to do so in ways which will inform and enhance that work.

The Scottish Executive encourages consultation that is thorough, effective and appropriate to the issue under consideration and the nature of the target audience. Consultation exercises take account of a wide range of factors, and no two exercises are likely to be the same.

Typically Scottish Executive consultations involve a written paper inviting answers to specific questions or more general views about the material presented. Written papers are distributed to organisations and individuals with an interest in the issue, and they are also placed on the Scottish Executive web site enabling a wider audience to access the paper and submit their responses¹. Consultation exercises may also involve seeking views in a number of different ways, such as through public meetings, focus groups or questionnaire exercises. Copies of all the written responses received to a consultation exercise (except those where the individual or organisation requested confidentiality) are placed in the Scottish Executive library at

¹ <http://www.scotland.gov.uk/consultations>

Saughton House, Edinburgh (K Spur, Saughton House, Broomhouse Drive, Edinburgh, EH11 3XD, telephone 0131 244 4565).

All Scottish Executive consultation papers and related publications (eg, analysis of response reports) can be accessed at: [Scottish Executive consultations](#)

The views and suggestions detailed in consultation responses are analysed and used as part of the decision making process, along with a range of other available information and evidence. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

Final decisions on the issues under consideration will also take account of a range of other factors, including other available information and research evidence.

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

This template is split into different chapters so that you can just comment on the topics you are interested in. If you do not find this approach helpful please feel free to respond to the consultation by just emailing or writing to us.

Questions	Your response
<p>Chapter 1: Background and Purpose of Strategy</p>	
<p>Do you agree with our vision for the social economy?</p>	<p>We strongly welcome the strategy's focus on social enterprise as a key part of Scotland's economy and civil society, and agree with the vision of the sector, as a 'dynamic and sustainable business model of choice'.</p> <p>It is important that the vision recognises the contribution of social enterprise –not only for its social economic and environmental impacts but also as a significant employer and driver of productivity within Scotland.</p>
<p>Would different terminology help clarify the debate on differences between social enterprise, social economy and the voluntary sector – i.e. use of the term Third Sector?</p>	<p>The complexity of the terminology reflects the complexity of the sector(s). Careful use of language is necessary as many of these terms are used interchangeably when referring to very different organisations, with different needs and, often, different interests.</p> <p>It is important to clarify the debate through careful and applied use of language, whilst ensuring that these classifications are not restrictive for the range of third sector organisations that are operational across Scotland.</p> <p>It is also vital that action and practice follow terminology. Language alone cannot create an infrastructure in which social enterprise can flourish. There is an increasing use of language and theory that treats social enterprise as akin to private sector organisations, and expects the ways in which these organisations operate to meet the standards and quality of commercial enterprise. However these expectations are not always balanced with action that treats and encourages social enterprise in the same way as commercial industry.</p> <p>Social enterprises increasingly work in partnership with funders via Service Level Agreements (SLAs), rather than through grants. However these SLAs still often are based on short term funding agreements, and still</p>

	<p>require extensive levels of monitoring and accounting for spend, at levels that would not be expected of a private sector contractor. There needs to be continuity in terms of how both private and social enterprises are contracted with. If social enterprise is increasingly expected to compete with the private sector, it should not be expected to conform to more onerous bureaucratic requirements in its funding agreements.</p> <p>We also believe that a greater level of funding should be targeted an organisational, rather than a project level, as remains the focus of for example Future Builders, the Executive's flagship fund for promoting the sustainability of the voluntary sector. This requires a cultural shift in the way in which social enterprises are perceived and worked with by funders, as much as within the organisations themselves. Without genuine buy-in to concepts such as Full Cost Recovery, and without recognition of the complex and varying needs of social enterprise there is no way that the sector can become genuinely sustainable.</p> <p>In examining the terminology used in reference to social enterprise, and other social economy organisations it is also important to recognise that organisations & individuals may have their own view of what they are, and this may not always fit with these definitions. Many charities for example have seen their funding from local authorities change from a grant to an SLA. However there may have been no real qualitative change in the way in which the charity operates, or the service they deliver. Does this mean that they are now a social enterprise?</p>
<p>Does the draft strategy draw out all the contributions of social enterprise to social, economic and environmental life in Scotland?</p>	<p>The strategy lists many of the areas where social enterprises have an impact, but fails to quantify these, instead only measuring the impact of the sector in terms of turnover and workforce. Organisations such as the Wise Group have a significant social, economic and environmental impact, in 2005 for example our outputs included:</p> <ul style="list-style-type: none"> • 2462 unemployed people supported into work • 850 qualifications achieved • 17 public spaces improved or regenerated • 144 trees planted • 4,818m metres of fencing erected • 1,260m² of blockwork completed

	<ul style="list-style-type: none"> • 3,635m² of paths completed • 1.7ha of wild flowers sown • 2990m of hedges trimmed • 3,359 in receipt of draughtproofing measures • 1,704 homes in receipt of tailored energy advice • 2,407 homes in receipt of home safety/home security package installations • 27,750 Home Energy Checks • 157.85 tonnes of waste recycled <p>We believe that it is vital to quantify the impact that social enterprise has in Scotland, and for this to be done swiftly, in order to provide the intelligence needed to fully inform investment decisions made in 2007's Spending Review.</p>
<p>Other comments on chapter 1.</p>	<p>This chapter provides a comprehensive outline of the work that has been undertaken by the Scottish Executive to support and promote social enterprise. However there is little in the way of analysis as to which elements of this approach have been most effective.</p> <p>Similarly statements are made as to the fact that there is a considerably higher level of social enterprise in the rest of the UK than in Scotland but no analysis as to why this may be the case. Are there significant differences in the funding or support infrastructures outwith Scotland that make the development and sustainability of social enterprise easier to achieve? This may be worthy of further investigation.</p> <p>The chapter highlights the wide range of organisations that have, as an element of their remit, a role to play in promoting or supporting social enterprise. This is a highly crowded picture and one that may be daunting and confusing for social enterprises in trying to navigate their way through the system of support available. There may be a need to coordinate and consolidate the support that is in place. There would be value for example in one agency providing tailored specialist support for social enterprise, rather than a plethora of organisations who support social enterprise as a minor element of their wider remit.</p>
<p>Chapter 2: Challenges for</p>	

social enterprise	
<p>Does the strategy correctly identify the main challenges for the development of social enterprise in Scotland? Are there others which have been missed?</p>	<p>The strategy correctly identifies many of the challenges faced in the development of social enterprise in Scotland. However it fails to acknowledge other areas that can and do constitute a further challenge.</p> <p>Procurement The strategy highlights the new EU regulations on procurement as a positive development for social enterprise in opening up new markets. What it fails to appreciate however is that this development can, in some instances, be as much a threat to social enterprise as it is an opportunity.</p> <p>The Wise Group's experience has been that a greater number of employment and regeneration programmes that we previously operated in partnership with agencies and organisations (such as Housing Associations) now have to be put out to tender as a result of these regulations. This means that we are put into direct competition with private sector companies who are often in a position to undercut us on price, by removing or significantly reducing the added value elements (such as employment & training) from regeneration activity.</p> <p>The inclusion of softer or more social elements of best value into the procurement process is a highly positive one. However in most instances it remains a minor element when compared to cost. One recent major contract tendered for by the Wise Group was judged 60% on cost and 40% on quality (with added value constituting only a small element of this section).</p> <p>Best value remains primarily and overwhelmingly driven by cost and we have found that most of the procurement bodies with which we work support the idea of regeneration activity having a social impact, but are often unable or unwilling to pay for it, unless we can bring additional funding to the table. This has been possible through ESF, but will be increasingly difficult to achieve given the uncertainties of the future funding environment.</p> <p>The European Structural Funds The strategy correctly identifies the future reduction of ESF as a challenge for the sector, but we would argue grossly underestimates the scale of this challenge.</p>

	<p>Like any business social enterprises need to be able to forward plan and to budget and project income over the coming year. The continued uncertainty surrounding the future of the Structural Funds, and the presence or absence of transitional funding whilst plans are being finalised, means that this is currently incredibly difficult to do. There is the danger that this potential gap in funding, more than a later reduction, may result in real reductions in the organisational capacity of many Social Enterprises, as many will face real difficulties with cash flow.</p> <p>The Funders' Role</p> <p>As highlighted above the expectation for social enterprise to operate in a 'business like' way has to involve changes within the organisations themselves, but will also require a fundamental shift in the way that many funders interact with social enterprise, particularly with regards to:</p> <ul style="list-style-type: none"> • Management fees and Full Cost Recovery • Investing in companies rather than projects • Monitoring requirements and bureaucracy • Organisational direction • Pressure to fulfil funders targets rather than the fundees targets.
Other comments on chapter 2	<p>We welcome the focus on loans, and in particular soft loans as one element, amongst many, of the financial package that can be offered in support of social enterprise. There is a need to recognise that most social enterprises do not operate at a large surplus and most reinvest that surplus in activities targeted at their clients. The Wise Group for example runs a number of large-scale, surplus-generating government programmes, but uses the revenue generated through these to allow us to also develop and deliver smaller-scale specialist programmes targeted at difficult to reach groups, which do not tend to generate much in the way of a surplus.</p> <p>The repayment of commercial or near commercial rates of interest therefore may simply act to reduce the levels of investment that social enterprises can put into their services and their beneficiaries. Longer term venture capital is as necessary for social enterprise as it is for the private sector, and the approach taken by</p>

	<p>organisations such as the Ford Foundation in the USA, which offers very long-term and low (virtually no) interest loans to social economy organisations may be one that may be beneficial in promoting social enterprise in Scotland.</p> <p>In addition surplus generation isn't always encouraged or made possible by the funders of social enterprise. Often any surplus generated, or savings made, have to be returned to the funder, and cannot be reinvested in socially useful outputs. This acts as a disincentive to cost-effectiveness, with a 'use it or lose it' message being sent about spend.</p>
<p>Chapter 3: Strategic objectives and priority actions</p>	
<p>Do you agree with the five strategic objectives we have set in Chapter 3? Are there other areas we should be addressing?</p>	<p>The five objectives outlined in Chapter 3 seem appropriate in meeting the strategy's vision of Social Enterprise as a dynamic and sustainable business model of choice.</p> <p>We welcome action to further open up the public sector market to Social Enterprise and particularly in terms of procurement around the social benefit clause.</p> <p>Procurement can be a powerful tool in promoting wider social, economic and environmental benefits for communities and can be a key way in which to promote social enterprise. However social enterprise will be restricted in its ability to effectively compete with private sector businesses if the social benefit clauses included in contracts are not actively monitored and managed. We would highlight the example of Sheffield Council as one of best practice, where a special unit has been established to ensure that the local employment clauses inserted into contracts are adhered to.</p>
<p>Do you agree with the priority actions in Chapter 3? Please tell us if there are ones you do not agree with or please suggest areas where you think we should be taking action.</p>	<p>The idea of franchising within social enterprise is a good one and one that the Wise Group has successfully, and less successfully, used in the past. Bolton Wise has been operational for some ten years and is now an entirely independent operation, delivering ILM activity in Bolton.</p> <p>However there are a number of issues that face the</p>

	<p>social enterprise sector that make it much harder to use this kind of model than it may be for the private sector. Localism is a pervasive element of decision making in terms of spend at a community level, and indeed is currently being actively encouraged at a policy level as the most effective means by which to ensure 'double devolution' of power to the individuals making use of public or publicly funded services.</p> <p>This is a sensible development, in ensuring that projects and programmes meet the needs of the community, and are shaped in genuine consultation with service users. However there can also be a negative aspect to localism that can result in larger, and in particular national, social enterprises being treated with suspicion. A large organisation is seen as incompatible with the aim of meeting local community needs, and the notion of a franchise would, we believe, be seen as an unwelcome intrusion in many areas.</p> <p>Certainly there often remains a contrast in the way in which private sector businesses are proactively encouraged to bring their business into an area, whereas Social Enterprises moving into a new area often have to struggle to establish themselves.</p>
Other comments on chapter 3	<p>There is a need to ensure that sufficient specialist advice and support is provided to organisations making the transition to being a social enterprise from the voluntary sector. This is an incredibly difficult transition to make and reaching a position of financial sustainability remains a significant challenge. There are many funder's rules and regulations that can act as a counter-incentive to earning income, with revenue generation resulting in reduced grant. There are also complex rules around areas such as state aids that require specialist guidance and advice to ensure that social enterprise can increase its trading activities, whilst ensuring compliance.</p>
Chapter 4: Monitoring the strategy and putting it in place	
Do you have any comments on how the strategy will be	As highlighted earlier our belief is that information on the scope and contribution of and of the needs and

<p>put in place as set out in Chapter 4?</p>	<p>barriers faced by social enterprise needs to be gathered as quickly as possible and should as far as is practicable be in place PRIOR to the spending review of 2007, in order to allow decisions on future spend to be made with the most comprehensive information possible on the sector.</p>
<p>Other comments on chapter 4</p>	<p>There are a number of Sector Forums in existence across Scotland that could be better used in promoting the role of Social Enterprise. They could be used for example to help monitor the development and impact of the sector and could take action to promote it.</p>
<p>General</p>	
<p>Do you have any other comments on any other aspects of the draft strategy?</p>	<p>There are a number of key points that we feel should be highlighted in any strategic approach to promoting the growth and sustainability of social enterprise.</p> <p>These include:</p> <ul style="list-style-type: none"> • The cultural shift required in order to promote the development of social economy organisations into social enterprises requires as much change from funders in terms of their approach and practice as it does from the social economy organisations themselves. • If social enterprises are expected to operate at a level comparable to, and in competition with, private enterprise, they should not be burdened with higher levels of bureaucracy and stricter monitoring requirements than would be expected of a private sector company delivering the same service. Nor should the increasing emphasis on localism operate in a way that restricts the operation of larger social enterprises, where these organisations could make a positive contribution to meeting the needs of communities. • A comprehensive analysis of the scope and impact of the sector should be undertaken, with short-term work undertaken to provide adequate base-line information in order to inform decisions made through the 2007 spending review.

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| | <ul style="list-style-type: none">• There are a large number and range of organisations in place that have an element of their remit aimed at supporting social enterprise leading to a situation that is both crowded and confusing. There is a need to coordinate and consolidate the support available and to ensure that the bodies providing this support have an understanding of the complex and distinct challenges that social enterprises face.• There have been positive changes to procurement approaches that provide greater opportunities for social enterprise. However it is vital that contracting bodies not only use this clause but also actively monitor and manage these elements of delivery.• The uncertainty around the future of the structural funds constitutes a significant threat to many social enterprises and has serious implications in terms of their ability to forward plan. There is an urgent need for a decision to be made and fully communicated about transitional funding in order to maintain the capacity of the sector. |
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