

Social Enterprise Scotland and the Scottish Council for Voluntary Organisations - joint submission to the Scottish Parliament's Economy, Energy, and Fair Work Committee.

The role of enterprise agencies, the Scottish National Investment Bank (SNIB) and other economic development partners

31st July 2020

Our position

Scotland's enterprise agencies and the Scottish National Investment Bank (SNIB) should incorporate dedicated support for voluntary organisations and social enterprises. We ask the Committee to seek to understand how enterprise agencies and SNIB will support the wellbeing economy through its offer to a sector whose contribution to the Scottish economy is rapidly evolving. The sector is willing and able to work with these bodies to improve our impact on shared outcomes across Scotland. This collective effort is vital to the success of how a circular economy operates.

Scotland's economic development system: the role of charities, social enterprises and voluntary groups (*consultation question one*)

Both SCVO's and SES' submissions to the Committee's consultation on economic recovery reflected the vital role that charities, social enterprises and voluntary groups play in every aspect of Scotland's economy. This contribution is evolving rapidly, encompassing a range of activities from the 6,000 social enterprises channeling profits for the public good, to the employability programmes charities deliver. The Advisory Group on Economic Recovery (AGER) reported that the Scottish Government should embrace a "Team Scotland" attitude as it steers forward the nation's recovery and renewal. The Scottish Government must activate this across the strategies, methods and instruments available to develop and stimulate not only a recovering economy but one that is wellbeing-oriented.

While funding is a perennial issue for the sector, there is something else at play; the lack of parity it receives in an economy more conditioned for traditional private sector business models. If Scotland is to fulfil its purpose and national outcomes, the imbalance in its economy - which puts organisations with a social and environmental purpose at a disadvantage - must be addressed. An issue that contributes to this is how decision makers do not understand, forget, or choose not to acknowledge the sector's economic contribution. Many local authorities and public agencies have an awareness of social enterprise in terms of economic development. However, there still needs to be a better understanding of their financial contribution and role in economic development, including within Business Gateway services, as evidenced in the [Social Enterprise Census](#). For charities and voluntary groups, these organisations' largely unmeasured and understated place in Scotland's economy is even less understood. That the sector barely received a mention in the report of the AGER, when many of the recommendations have relevance to charities, social enterprises, and voluntary groups, brings this challenge to the fore.

Our economy needs people to contribute as much as people need the economy. Charities, social enterprises, and voluntary groups play a vital, if under-recognised, role in facilitating the economic involvement of people and communities. The pandemic has revealed the sector's intangible and more evident contribution to Scotland's economic system. Examples include voluntary organisations caring for vulnerable people so that families can still go to work or utilising their local knowledge and experience to identify community needs and providing tailored support. The sector has ensured that emergency funds and digital equipment could reach those at most risk of being socially and economically left behind. It has also delivered vital mental health and other support services to those hit hardest by the pandemic.

An agile and inclusive support system for the economy and public services in Scotland would mean citizens and organisations have No Forms; No Friction; No Fuss. It would build trust, confidence and the engagement processes for all people to participate and be in control and connected. Citizens would have the means to communicate with service providers digitally and face to face, and citizens would be the point of integration able to share data under their control and choice. The recent [blog](#) by Scottish Government highlights the reductions in friction, effort, risk and cost if we adopt a new vision -

.....steer the work of organisations around Scotland to agree how we work together to best achieve our vision: To use Scotland's data to its full potential by driving innovation, improving public services and unlocking economic value – saving time, money and lives.

How we do this needs to be rooted in public trust, shaped by an ethical vision and approaches that focus first on public interest and people's rights. The potential scale of achieving this vision is enormous for the wellbeing of people in Scotland, estimates are a £1bn per year saving for the public sector and £4bn of additional value for the Scottish economy.....

Not only is the investment needed to build these trusted connections, digital relationships and citizen-centred infrastructure now to prepare us for a second wave, but this is necessary for a thriving economy for the future that leaves no one behind. Continuing to open up procurement and initiatives like Community Wealth Building is essential. We have anecdotal evidence that some local authorities have temporarily suspended business-as-usual and responded with an "emergency collaboration" approach towards community groups and businesses. We need to learn the lessons from this and what it might mean for the future.

The pandemic has shown what can be achieved through positive partnerships with partners, regulators, and funders. We must find new ways to collaborate better and build trust and relationships that allow for true co-design, collaboration, and meaningful user involvement to give Scotland's voluntary sector greater equity within partnerships. One example is food distribution, which happens across Scotland in many different forms and local ways. A citizen-centred approach would benefit all of Scotland and help address effectiveness and consistency. City Region Deals (CRDs) must also become more inclusive and broaden out from small constituencies involved in decision making. More sustainable CRDs would view voluntary and social enterprise organisations as a vital part in the fabric of local economies that can ensure these deals work for citizens, carers and communities.

Taking the four capitals adopted by the AGER, it is a mistake to view the sector as limited to human, social, and natural capitals. To view its contribution to financial capital as a mere add-on is to not keep pace with a rapidly evolving and complex economic role of our organisations in Scotland today. It means that Scotland's economic development system must shift from a relatively narrow view of a thriving economy that sees traditional private sector business first, and citizens and their wellbeing second. For this to happen, we need

a flexible economic development system in Scotland that builds on our experiences from the pandemic over recent months.

The sector's opportunities and relationships with Scotland's enterprise agencies and the SNIB (*covers consultation questions two, three and eight*)

If supported to operate at their full potential, the combined weight of charities, social enterprises and voluntary groups can ensure that many more of Scotland's citizens can join a more inclusive economy. The economic development system must embrace complexity, engagement and the different roles that actors can play. Collectively, we must be willing to discuss alternative models of support that recognise the expertise, experience, and reach of the sector. This includes parity in the design and access of new and existing sources of long term patient equity and loan finance – such as the Scottish National Investment Bank.

We need Scottish Enterprise to demonstrate concrete action, together with South of Scotland and Highlands & Islands agencies, and take proactive steps to support social enterprises, charities and voluntary groups. These organisations are highly enterprising and need access to tailored support to grow and scale their local operations. This would show that the ambition set out in 'Building Scotland's future today' takes centre stage in an economic development system where everyone shares success and happiness. We appreciate the recent change in the remit of Scottish Enterprise to align and integrate with Scottish Government priorities in terms of an inclusive, wellbeing economy. We would ask the Committee to seek to understand how enterprise agencies and SNIB will support the wellbeing economy through its offer to the third sector.

The special role of Highlands and Islands Enterprise in community business development and the support they provide to social enterprises, both before and during the crisis, is particularly recognised by Social Enterprise Scotland. The contribution of Just Enterprise, the specialist business support service for the enterprising third sector, is also welcome. This essential service has supported many social enterprises and charities to build on their trading capacity, and we must ensure it continues. We do see increased partnership working between social enterprise and third sector business support and the public enterprise agencies. We also recognise the ongoing importance of Scotland's social investment organisations in building capacity and ensuring social enterprise growth and development.

Scotland's enterprise agencies and the Scottish National Investment Bank (SNIB) should incorporate dedicated support for voluntary organisations and social enterprises, and this support should be available in a manner that is simple for organisations to access with less friction and effort that currently diverts sector organisations away from concentrating on their public-purpose driven efforts. Potential sector customers of the South of Scotland Agency, Scottish Enterprise and Highlands & Islands Enterprise find it challenging to do business as each agency has different processes. How will these agencies work together to reduce the friction, effort, risk and cost within their processes, so that sector organisations have a consistent experience? A single entry point and dedicated teams joining the dots and supporting voluntary and social enterprise organisations could be a remedy.

The SNIB is an excellent illustration of a lack of parity. Despite the sector's success in securing provisions in the Scottish National Investment Bank Act (2020) to ensure voluntary organisations and social enterprises can access the bank, it has been incredibly difficult to challenge the private sector and commercially focused narrative surrounding the bank. We must consider how models such as social enterprises, community

interest companies, and registered charities can locate the support needed to access patient finance, not only through the SNIB but other existing or potentially new alternatives.

Importance and access: The SNIB could play an important role in supporting charities and social enterprises with long term patient equity and loan finance to achieve outcomes for the citizens, carers and communities that our organisations serve.

Tailored support: The sector has not yet seen efforts by SNIB to engage with social enterprises, charities and co-operatives. As we have mentioned previously, this could be rectified with dedicated, sustainable and committed support for these organisations.

Overall development: Currently, there is some confusion as to what the SNIB will do and when it will open. Will it absorb the Scottish Investment Bank (SIB, Scottish Enterprise's investment arm) and any other sources of funding and will the sector have the support it needs alongside the legislative confirmation to access the bank?

Criteria for public investment: The bank's investment must flow into all organisations that merit long term patient equity and loan capital based on a business plan and contribution to the National Performance Framework and wellbeing economy. The pandemic has shown voluntary organisations, and social enterprises deliver vital services in Scotland. A SNIB that is wellbeing-oriented will support these organisations that play a crucial role in the health, security, safety and connections of citizens, carers and communities in fairer and more inclusive ways than the private sector can alone.