

Smith Commission on further devolution of powers to The Scottish Parliament

Consultation submission from Social Enterprise support and development organisations in Scotland

This response is a joint submission from: Social Enterprise Scotland, Community Enterprise, Social Firms Scotland, Firstport, Senscot, CEIS, HISEZ, Social Enterprise Academy and InspirAlba.

Brief introduction to social enterprise in Scotland

Social enterprise is a dynamic and inspiring way of doing business. Social enterprises are innovative, independent businesses that exist to deliver a **specific social and/or environmental mission**. Key social enterprise organisations are committed to the popular definition contained in the [Voluntary Code of Practice for Social Enterprise in Scotland](#) (The Code).

Well-known examples of social enterprises include: The Big Issue, Cornerstone, Kibble Education and Care, The Wise Group, media co-op, Isle of Eigg Heritage Trust, Link Group Ltd, the Eden Project in Cornwall, Capital Credit Union, The Grameen Foundation, Mondragon Corporation in the Basque Country and the Homeless World Cup.

Social enterprise businesses **should be asset locked** and can include one or more business models or legal forms such as: Company Limited by Guarantee, registered charity or SCIO, Co-operative, Mutual or IPS, Social Firm, Community Interest Company (CIC), Development Trust, Credit Union or Housing Association (aka Registered Social Landlord or RSL).

Scotland has an **international reputation** as a leader in supporting the growth and development of social enterprise activity on a national, regional and local level. This includes practical business support, communications, policy, procurement, start-up and a range of other services. See the [one-stop guide to everything social enterprise in Scotland](#).

Social enterprise in the context of the Scottish referendum result

The recent independence referendum result means that there is a popular expectation to deliver on **strong and credible new powers** for The Scottish Parliament.

We are now calling for substantial new powers to be devolved to The Scottish Parliament, in order **to benefit social enterprises and the diverse people they serve**, improve democratic engagement and bring power closer to people.

This must also be seen in the context of future **devolution to local communities**, local authorities and social enterprises. Any shift of power from Westminster to Holyrood cannot stop at the doors of The Scottish Parliament or indeed at the doors of local authorities.

Alongside such measures as the [Community Empowerment \(Scotland\) Bill](#) and the practical work of social enterprises in local communities, there should now be concrete moves towards **local empowerment**, along the lines of the recent [Commission on Strengthening Local Democracy report](#).

We fully appreciate the very challenging timetable that has been set out for the Smith Commission, the complexity of the issues and the many thousands of responses that have been received as a result of unprecedented post-referendum engagement.

However, we seek assurances that as many civic society submissions as possible are taken into account as part of the final proposals, not just the views and submissions of the political parties.

Civic society and **the views of social enterprises** across Scotland must be genuinely considered as we move forward to develop the next round of successful devolution.

Specific powers and responsibilities that could be devolved

The partner organisations in this submission recently launched a national consultation, distributed widely within the social enterprise community. The survey was specifically focused on the Smith Commission and new, devolved powers, as well as a potential **national social enterprise strategy** for Scotland.

The suggestions below are a summary of the survey responses relevant to potential new, devolved powers. The quotes are from survey respondents. While views within the social enterprise community are as diverse and varied as the wider society, we believe that the suggestions reflect a **broad consensus**.

With new responsibilities for The Scottish Parliament, we can tailor to and reflect **the needs of local and regional communities** and respond to local needs more effectively and flexibly. **We strongly believe that any new powers must have a purpose.**

For example, we can create better and more **innovative public services** tailored to local needs. We can better integrate new powers alongside already devolved responsibilities over local government, housing and social enterprise support. We can ensure that **welfare** is based on the principles of **equality and inclusivity** and we could use new **taxation** powers to boost regeneration, social investment and business growth.

Tax and tax reliefs

Social enterprises contribute to sustainable **economic development**, create **jobs, deliver public services**, work in partnership with the public sector and work specifically in **prevention** to reduce demand on public services. In order to achieve these powerful and positive impacts, social enterprises need appropriate finance and a sustainable income to deliver on their social and economic aims.

Corporation Tax is one such area that could be devolved: “Some of the Corporation Tax collected in Scotland could be channelled to an investment fund for social enterprises”.

Devolved VAT. It has been mentioned by social enterprises that the VAT threshold is often a significant barrier for them to grow and develop:

“VAT relief on asset purchase/development.”

“Exemption from paying VAT.”

“Zero rated VAT for capital purchases.”

“A review of the VAT legislation for small charity trading arms, increasing the threshold for this sector”.

Other suggested uses for the devolution of taxation include:

“Reduced National Insurance contributions for social enterprises.”

“Tax incentives to any enterprises who engage a social enterprise to deliver a service/product”.

In terms of social investment some survey respondents commented:

“It is important that Scottish social investment intermediaries continue to have access to this new source of capital [UK-wide Big Society Capital]”.

“The regulatory and policy environment in Scotland must facilitate the flow of investment and Scotland should continue with Social Investment Tax Relief (SITR).”

General tailored and local tax reliefs and tax breaks for social enterprises, including CICs, was mentioned as another benefit of the devolution of taxation plus “other income streams related to oil, tourism and whisky”.

A common sentiment underlying other comments was: “If Scotland can secure all the Corporation and other tax income from business activity...we would then have the resource we need to create a fairer society.”

Social security and welfare

This was an area frequently commented on by survey respondents, an example of where devolution of powers could have most impact. Local, person-centred and **empowering welfare**, working in partnership with people, was often mentioned.

There must also be an awareness that if only certain parts of the welfare state are devolved then they must be able to “fit” with reserved Westminster powers and not create unworkable policies in practice.

Issues such as: “Excessive pressure which Westminster housing and related policies put on the Housing Benefit system in favour of London and the south east of England.”

Other comments included:

“Allowing people with disabilities and others to allow them to work more and try out work without losing out.”

“Ensure volunteering and benefits harmony.”

“Devolve welfare powers in order to strategically align Scottish Government policy and to provide appropriate support to eliminate poverty.”

“The bedroom tax has flown in the face of more flexible ways of allocating social housing...and severely impacted on the Scottish Government’s capacity to tackle poverty.”

An important point to consider is that new powers over any policy area should be alongside new financial and taxation powers in order to work on the ground: “The spend is so huge that it would be counter-productive without the resource to deal with it.”

Employment and employability

Current UK employment programmes and employability support could be better delivered by local social enterprise and third sector organisations, that are **closer to communities** and the people who need to be reached. Local, Scotland-based organisations can tailor services to meet the needs of clients and improve the rates of **getting people back to work**. Suggestions included:

“Sick pay recovery for social firms. The issue of trying to help people with disabilities and health conditions but the social enterprise, not the state, having to pay sick pay”.

“Ability to set the minimum wage.”

“Devolve employment to streamline and improve relationships with employers, Job Centres and social work departments.”

“Economic development and in particular the creation of jobs would be integrated better with skills and employment support services.”

“Integration of services could improve the ability to target those that currently are in greatest need of support with their work readiness and skills.”

“The opportunity exists to create a “whole government” approach to employability by aligning employment with other policies.”

“Employability services do not always fit well with the systems devolved to and developed in Scotland.”

“Only by integrating the benefits system with Scotland’s skills and lifelong learning system can sustainable positive outcomes be achieved.”

Devolution to local communities and additional policy areas

As mentioned we believe that devolution should not simply be about the transfer of powers from Westminster to Holyrood. It must also be about the transfer of powers directly from Holyrood to local communities, local authorities, social enterprises and community groups.

As stated our survey results and other feedback from social enterprises is the basis for this consultation submission. The majority of responses were focused on the issues raised in the categories above.

In addition there are other significant policy areas that should be considered as part of any new devolution settlement. These are areas that have a direct impact on the work of social enterprises and **should also be looked at in this round**.

Devolving powers over **equalities and human rights law, asylum and immigration, international exports** and other areas could have a positive impact for social enterprise businesses. Currently reserved **energy policy** is another area that could potentially be devolved to benefit community energy projects.

Company law is a significant area where reform could be implemented within a devolved context. Community Interest Companies (CICs), Co-operatives and other company regulation could be **reformed and improved** to benefit communities and businesses themselves, if it was within the responsibilities of The Scottish Parliament.

In conclusion we look forward to working with the Commission and other partners in order to realise the **practical ambitions** of a new devolution settlement. We must also have a **genuine, citizen-led process** after the initial proposals have been put forward.

We’re keen to work with others within civic Scotland and beyond, assist in the process of implementation after new legislation is approved and ensure that social enterprises and the people they serve gain full benefit from the new powers.

For more information or clarification about any of the issues raised in this consultation submission please contact Duncan Thorp at Social Enterprise Scotland on 0131 243 2650 or duncan.thorp@socialenterprisescotland.org.uk

