

## **Voice for the Sector**

There was strong support for SES growing a very strong and credible voice for all the sectors. There was a strong sense that SES should be the “glue” that holds the sector together. It was recognised that there was a need for simplicity and some connection between the intermediaries. The SEI needs to be an opportunity to connect things at a national level, in terms of business gateway, SCVO, etc.

Speaking truth to power is vital, as is independence. It was recognised that doing so sometimes has repercussions, so it is a delicate balance. It was acknowledged that there is such diversity in the sector, and so representation would be a key challenge for SES who need to have something to say on the current issues that are vexing the membership and the sector.

## **Network Support**

There was agreement that network support should continue, this support should not be prescriptive but be tailored to local need “having an ear to the ground”. There were areas where SENS do not exist or had disappeared, and there should be parity of support irrespective of location. This was also evident in the equal access to advice on business models – in some areas, business gateway and TSI’s were not necessarily equipped to give the right/ consistent advice on legal structures – some need for consistent messaging and approaches.

There was support for SES growing networks in niche areas to respond to need. For example, BAME social entrepreneurs (SSE is doing work in this area).

There was support for a national event to bring all the networks and sector together. Social enterprises are busy and don’t have much time for engagement events / webinars, and any activity must be time effective.

There was support for an MoU with the TSI’s. It is hoped this will enable the connection with grassroots and help SES to hear what people locally have to say.

## **Rural and Local Connections**

Strong sense that in rural areas, social enterprises are not as well served, and support was sometimes absent. There was a desire to have the same level of engagement as other areas. A view was expressed that some TSI's were not as active as others and were not always best placed to support social enterprise, it had been added into their remit without the infrastructure in places.

Support was variable and examples were given of SEN's not surviving in some areas, and some members felt isolated. Funding and support to connect local networks was also seen as important.

There are significant issues facing rural Scotland and SES should be arguing on these issues. Depopulation, infrastructure, and fuel poverty were current. The implementation of the Islands Act was a broken promise by Scottish Government and SES could be a voice for change on that. Similarly, the Circular Economy Bill, contingency funds were needed, and rural voices were being ignored.

## **Role as Strategic Incubator**

There was some disappointment that there was little mention of social enterprises in the latest Programme for Government. There was a strong view that SES should be supporting the development of new social enterprises in areas like criminal justice, childcare, forest schools; areas where social enterprise has a competitive advantage in response to the SG agenda. The idea of SES as a strategic incubator on key issues was as important as support to individuals to grow – SES could help create the strategic conditions for this and articulate the value of the contribution of social enterprises. Participants were waiting to see what would be covered in the new tender for Just Enterprise.

One suggestion was a legitimate role for SES in being a property owner and letting spaces to other social enterprises. This could generate income and allow social enterprises to share services.

There was support for the idea that SES should not distribute grants.

## **The role of the Voluntary Code and Benefits of Membership**

The views on this were mixed, with some suggesting it was important and key to the asset lock. However, a review of the Code was welcomed. Some suggested however that the code was too restrictive and blocked access to certain types of investment. Mission led was the most important thing and consumers being clear that they were buying from a mission driven organisation.

People need to see tangible benefits to join, and this will vary for different organisations and places, but a clear description of member benefits was needed – and that included, being visible locally and nationally. The level of support and presence will drive membership as its seen as tangible.

## **Governance**

The matter of Board membership was considered a matter for the SES Board.

There was support for the idea of not using the term “SEI”.

# **RECOMMENDATIONS FOR DISCUSSION**

## **Membership Structure**

- 1 The voluntary code is adopted as a criterion for full membership.
- 2 The existing code working group should be asked to reconvene with the aim of engaging with the sector to review the code to ensure it is still fit for purpose. This should be given resources, a remit, and a timetable. Its membership should be reviewed to ensure a “broad church approach”

- 3 We recommend that CIC with shares should be eligible for full membership, but there is a need to clarify the use of the 35% profit distribution option. We agree it is reasonable for cost of capital (including capital provided by individuals in the form of shares, bonds, or loans) to be repaid from this; but any remaining profit once this is repaid should be reinvested and not distributed as private profit dividends to shareholders.

A worked example would be:

Profit generated	£100k
35% profits for distribution	£35k
Cost of capital paid to shareholders/investor	£15k
Balance remaining	£20k

We propose this £20k cannot be distributed as private profit and should be reinvested in the business or used to deliver social benefits to remain code compliant.

- 4 Aspiring membership category to be recommended for start-up organisations who would have three years to meet the full criteria for membership or become an associate member.
- 5 Associate membership to be available to socially enterprising organisations that operate in the wider social enterprise ecosystem and can demonstrate tangible ways in which they engage with social enterprises and/or generate social impact. This would include local authorities, housing associations and individuals.
- 6 A further membership category could be considered for organisations that are not code compliant but are set up with a primary social purpose as opposed to those who have profit generation as their primary purpose.

- 7 Corporate membership for non-social enterprises who wish to support the new intermediary.

These three additional suggested categories would create an inclusive membership body that embraces the broader church we wish to create. We think it is important that social enterprises engage proactively with these wider organisations, to try and bring them closer to our values and ways of doing business.

- 8 Membership fees for each category will be determined by the SES Board but we recommend a degree of passporting should be enabled, with an associated reduced rate for members of SEN's and TSI's who are full members.

### **Approval process for membership**

- 9 We recommend that all current SES and SENScot members are approved as members of the new intermediary.
- 10 We recommend that where there is uncertainty about Code compliance, or which category of membership is applicable, that SES creates a verification panel to decide
- 11 We recommend an appeal mechanism to the full SES Board.

### **Governance**

- 12 We recommend that the SES Board would be elected by full members only
- 13 We recommend that full members must be registered in Scotland or trade in Scotland.
- 14 We suggest a maximum number of 14 Board members
- 15 We recommend SES consider reserved places for certain groups (e.g., rural social enterprises, smaller social enterprises, TSI's) who could be elected by members from the relevant constituency

16 We recommend a maximum of 3 co-opted members who would not necessarily be social enterprises but recognised by the Board to bring relevant skills/experience.

17 We recommend that all Board members should serve for a 3 three-year term, with a maximum of two terms.

18 We recommend that all Board members will have equal voting rights at Board meetings.

19 We suggest that Board meetings will only be quorate with [number] members present. Co-opted members cannot be in the majority at a quorate meeting

20 We recommend that the guidance for Board members should remind all Board members that they are not elected to represent an organisation or a constituency within social enterprises (e.g., SENs, rural enterprises) but have a legal duty to promote the best interests of SES itself.

## **Services and functions**

The TG has discussed at great length the services and functions to be offered by the new intermediary and these have been summarised in the table below. These may change over time as circumstances also change and new opportunities arise. The fundamental principles which will guide those opportunities to be investigated and seized are:

21 We recommend that SES should have no direct role in the distribution and management of funds except in specific cases where there is benefit to social enterprises and no-one else can fulfil the role.

22 We recommend a role in incubating new ideas/activities nationally and locally if there is a clear path to spinning them out to a relevant social enterprise or partner

23 We recommend that the SEI should be sensitive to the possible competition with members, and recommend a principle in this regard

***A commitment to empowerment of members to provide relevant services or generate income and to avoid displacement or direct competition with members***

Direct competition excludes situations related either to SES's core support offer or where they are establishing new innovative products / services not delivered by any current social enterprise and does so in collaboration with any interested members and designated to be later spun out if possible

Potential role	In scope or not?	Rationale
Provide direct business and funding support to social enterprise start ups	No	There are others doing this. Scottish Government does not wish the SEI to invest in this area as a condition of its grant.
Signposting to services	Yes	Not being done consistently and effectively
Shaping and influencing	Yes	No-one else will have it as a priority
Networking and supporting Networks (not just SENs)	Yes	Significant need at local level to maintain and build on good practice

Advocating on behalf of social enterprises (including lobbying)	Yes	SE needs a consistent and co-ordinated voice to share its concerns, promote its views and 'asks' of SG. SES is in a position to acknowledge the multitude of voices, and to amplify them
Representing social enterprise movement in Scotland	Yes	As above
Intelligence and research (through commissioning via universities and think tanks)	Yes	Need to 'horizon scan' and make evidence-based case for social enterprise.
Being pro-active in making the case for funding of the sector irrespective of its source (e.g., loans, capital/investment, grants)	Yes	To assist social enterprises, grow and develop
Awarding or administering Funds for others wishing to invest	No	Except in specific cases that would benefit social enterprises and

in social enterprise		no-one else can fulfil the role. Short-term only.
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## Critical Relationships

24 We recommend SES should immediately consider and clarify how it might address gaps in the infrastructure to support social enterprises in the Highland and Islands and rural areas as a priority.

25 We recommend relationships should be based on the following rough typology:

Organisations whose sole focus is social enterprise or asset-locked businesses with a social, community, or environmental mission.

Organisations who have a wider remit/ mixed constituency but have a commitment to supporting social enterprise.

Organisations that support different forms of enterprise (e.g., co-operatives) where there is an overlap with social enterprise.

Organisations who focus on place-based regeneration, community—based regeneration or female and BME entrepreneurship and recognise that social enterprises are part of this constituency

26 We recommend the intermediary agree priority targets in each of these categories and deploy resources accordingly. This will include the intermediary clarifying the *offer* it needs to make to encourage collaboration and partnership

27 It is recommended that the SEI enters partnerships with the academic sector to augment and fulfil its research role.

## **Optional Additions**

28 The TG notes that the funding for the new intermediary is significantly less than the former combined budgets of SES and SENScot/SFS. The SEI should make a case for increased levels of funding.

29 Finally, the TG invites the Scottish Government to increase the level of certainty in this area for the new intermediary by agreeing multi-annual funding.

30 The SEI should be seeking to enter strategic partnerships with other players in the eco system. This is preferred to a more contractual model often represented by memorandum of understanding that are more operational.