TRANSITION GROUP REPORT

——————

October 2022

Foreword by Chair

The last decade has been eventful, if not seismic, for citizens in Scotland with a cluster of national, international, and global events impacting our everyday lives. The Covid-19 pandemic has thrown a sharp focus on a range of inequalities that continue to be a factor in how we live and thrive. Currently, the cost-of-living challenge and the accompanying energy crisis are demonstrating the daily challenges of real and comparative poverty.

Since the 1980s the social enterprise movement in Scotland has demonstrated its importance and significance as a ground-level driver of economic cohesion and collective endeavour. The last Census of the sector by the Scottish Government, published in 2019, said that "social enterprises are organisations that trade for the common good. They address social needs, strengthen communities, improve people's life chances and protect the environment."

Across Scotland, the movement has developed more than 6,000 social enterprises supporting towards 90,000 jobs and generating more than £2.3 billion for Scotland's economy - a vast army of local individuals reinvesting profits into a social mission, working in concert for the commonwealth of communities: independent, innovative, dynamic, ethical, sustainable and partnership oriented.

Over that period, a fantastic array of support organisations has grown, many of them developed from an outstanding SENScot philosophy of building a national network at a local level to support and connect community activists and put in place a support infrastructure for a strong and sustainable social enterprise community in Scotland.

The Scottish Government committed to setting out a plan to fund a strengthened single intermediary body with responsibility for representing the social enterprise sector across Scotland. Social Enterprise Scotland was chosen to fulfil this role. This commitment was set out in Scotland's Social Enterprise Action Plan 2021-24 which was published in March 2021, and forms part of the ten-year Social Enterprise Strategy published in December 2016. A partner document, the Social Enterprise Intermediary Review: Stakeholder Views on the Role of a Single Social Enterprise Intermediary Body puts into some context the further work of the Transition Group set up by a Social Enterprise Scotland Board which is determined to build a collective way forward.

The Group itself has huge experience, talent, everyday expertise and breadth of vision and it has been a pleasure to see that demonstrated in the range of meetings we have held. Moreover, the digital engagement we led underscored the capacity, drive, purpose, and mission of the sector across Scotland.

These meetings and soundings have confirmed the strength of purpose in the sector, the ethical and moral purpose of those working within it, and the desire to build an intermediary with an inclusive culture - working in partnership with stakeholders including government, facilitating collective and collaborative leadership, connecting the social economy ecosystem, and developing strong and enduring local links.

There is a recognition that we can build on the strengths of a highly regarded community-based movement, the range of existing capacity-building activity and business support in place and the international profile we have generated, to catalyse a new way forward. This will create networks, connections and practical support at three levels; national, regional and local, in order to make sure that the voices of social enterprises are recognised and amplified.

We hope that the views in the report, the direct recommendations, and the additional advice and guidance will assist a refreshed Social Enterprise Scotland Board to make progress, build trust and a representative spirit, and harness the huge reach of the sector in the interest of social-added value for people, places, and communities.

Professor Ian Welsh OBE
Independent Chair, Transition Group

Contents

Glossary

SES: Social Enterprise Scotland

TG / Group: Transition Group

SEI: Single Enhanced Intermediary

SEN: Social Enterprise Network

SENScot: Social Enterprise Network Scotland

TSI: Third Sector Interface

SG: Scottish Government

CIC: Community Interest Company

ToR: Terms of Reference

Executive Summary

In March 2022, the Scottish Government (SG) awarded Social Enterprise Scotland (SES) the grant to set up a single intermediary for social enterprise in Scotland. SES established a Transition Group, working with the broad social enterprise movement, to focus on three issues:

- Membership and Governance
- Functions and Services
- Critical Relationships and Partnerships.

The TG, chaired by Professor Ian Welsh OBE, had 10 other members and met six times between July and October 2022. It also held five consultation sessions by video conference and carried out a survey of opinions through SES to gauge the wider views of the sector. Its work was shared in a transparent way, with all of its papers added to a dedicated part of the SES website. Weekly bulletins to members and wider stakeholders updated on progress and invited engagement.

The TG took into account the Social Enterprise Action Plan and the importance of:

- Supporting the development of new social enterprises
- Building and sustaining existing social enterprises
- Helping social enterprises create and access new markets for their products and services.

The TG started by carefully exploring the appropriate ***values and behaviours*** for such an intermediary, both as an important part of the Scottish 'eco-system' and as an outward looking, international organisation. These were summarised as:

- Trust
- Integrity
- Transparency
- Member-led
- Inclusive and open-minded
- Democracy
- Diversity
- Partnership and collaboration
- Sustainability
- Innovation
- Excellence
- Social impact.

The TG also spent time carefully considering the 'ecosystem' of support for social enterprise across Scotland, recognising that it is fluid and constantly adapting and evolving.

Membership: Discussion

The TG spent time considering the principles of membership and the role of the voluntary code in defining eligibility for membership of SES in the future. Broadly, there was agreement that subscribing to the voluntary code is sufficient for being recognised as a social enterprise. The TG recognised that the code had not been reviewed since 2018 and took the view that the working party should be reconvened, refreshed to reflect the movement in 2022, and report back with a view to updating it. The TG wants to safeguard the social enterprise brand by separating out *social* profit as the main characteristic of its membership.

It is impossible to predict how the social enterprise movement will evolve in the future in terms of typology and funding and investment sources and the TG agreed that any solution needed to be effective for the long term. The Transition Group recognised it was not its role to offer a new definition of social enterprise, but to make a distinction between private and social profit after any capital is taken into account and how it is treated.

Membership: Recommendations

1. The voluntary code is adopted as a criterion for full membership.

2. Full members will need to be registered in Scotland or trade in Scotland.

3. The existing code working group should be asked to reconvene with the aim of engaging with existing code subscribers and the wider social enterprise movement to review the code (which was last updated in 2018) and ensure it is still fit for purpose. The working group should be given resources and a timetable. Membership of the working group should be reviewed as soon as possible to ensure it reflects the current breadth of the movement.

4. CICs with shares, Community Benefit Societies, and other community enterprises with shares, should be eligible for full membership, so long as:
   - They have an asset lock, and
   - The only funds that are distributed externally are those that are used to repay the reasonable costs of capital (including capital provided by individuals in the form of shares, bonds, or loans), and,
   - Any remaining profit once the cost of capital is repaid should be reinvested and not distributed as private dividends to shareholders.

5. Apart from full members we recommend two further membership categories:
   - An aspiring membership category for start-up organisations which would have three years to meet the full criteria for membership or become an associate member.
   - A supporter category to include (amongst others) socially enterprising organisations that operate in the wider social enterprise ecosystem, local authorities, arms-length agencies, TSIs and SENS, housing associations, corporate supporters, and individuals.

6. Membership fees for each category should be determined by the SES Board with a view to balancing the income needs of SES and providing low-cost membership to front line social enterprises.

7. Where there is uncertainty about code compliance, or which category of membership is applicable, that the SES Board creates a verification process to decide.

8. There should be an appeal mechanism on membership to the full SES Board.

Membership: Additional Advice and Guidance

- The TG was clear that the voluntary code be adopted as a criterion for full voting and membership and that the code should be reviewed and, if necessary, updated in consultation with both current code subscribers and the broader social enterprise movement.

- The TG was less exercised by other forms of membership (associate, corporate, aspiring etc.) and was happy to let the SES Board decide on the number of categories.

- The TG encouraged increasing the 'reach' of membership and reaching smaller, frontline, social enterprises.

- The TG wanted fees to be as low as possible to bring in as many enterprises as possible, but were conscious of the effects on the SES budget and, therefore, its sustainability.

Governance: Discussion

The TG discussed in outline the responsibilities of Board members and if they 'represented' constituencies within the movement. The TG took the view that it could only advise SES on its model for governance and should not seek to prescribe solutions, but stressed the importance of SES showing a commitment to refresh its structures to reflect the composition of the broader social enterprise movement.

Governance: Recommendations

9. The SES Board should be elected by full members only.

10. SES should set in motion a process to refresh its Board so that it reflects the social enterprise movement in Scotland and emphasises the importance of representation by frontline social enterprises.

Governance: Additional Advice and Guidance

- The TG felt that a commitment to refreshing the SES Board was important. It would send a powerful message to the movement that SES wishes to refresh its Board and reflect the movement as a whole, including reaching constituencies that have, so far, not been involved with SES, rather than listening to the loudest and best-connected voices.

- The TG agreed that it was important to note that the legal duties of SES Board members include a primary responsibility to that organisation. In this (legal) sense they are not the representatives of any electorate or of the social enterprise movement as a whole. This will be important in forming a new Board.

Functions and Services: Discussion

An important debate took place on the need to ensure that there was no conflict or competition between SES and individual social enterprises, reflected in the recommendation to restrict SES services and functions where this might be the case.

However, it was recognised that SES can have a role in incubating new ideas and activities where no suitable social enterprise exists.

The TG articulated SES's functions and services as:

- A strategic organisation
- A forward-thinking organisation
- An aspirational and championing organisation
- A collaborative organisation
- A listening organisation
- A reflective organisation
- An independent, membership-led organisation
- A safe space for open debate and challenge.

Functions and Services: Recommendations

11. SES should have no direct role in the distribution and management of funds except in specific cases where there is benefit to social enterprises, no one else can fulfil the role, and for a short-term only.

12. SES should have a role in incubating new ideas/activities, nationally and locally, and then spinning them out to a relevant social enterprise or partner.

13. There is a need to articulate the thinking behind the 'archway' diagram (see main report) as a way of explaining to the movement and partners how SES sees itself operating in the ecosystem of support.

14. SES should be sensitive to the possibility of competition with members, and recommend the following principle be adopted.

> *SES has 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 it is establishing new innovative products and/or 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.

Functions and Services: Advice and Guidance

- Amplifying the voice of the sector on key current issues affecting the sector - cost-of-living, sustainability, investment programmes, direct funding opportunities, cross-government cohesion - requires a real-time concentration on public affairs, a fast and nimble approach to engaging the sector and a direct route into government, politicians, and influencers at all levels.

- The opportunity for the SES team to be the lightning rod for the sector, is predicated on its ability to reach and touch its membership directly (a membership often working in rural and isolating contexts) and a detailed engagement programme is an absolute requirement for this. Building on what is currently there and auditing the future opportunity, an efficient and consistent engagement programme - newsletters, learning exchanges, webinars, tool-kit development, thematic fora, advice surgeries, practitioner workshops, helplines and more - will build the intellectual and emotional capital required.

Critical relationships and partnerships: Discussion

The debate focused on the need for SES to work with existing networks and build stronger relationships, along with recognising the practical difficulties encountered by rural, island and community led social enterprises due to isolation and lack of resources.

In discussion, the Group thought it important that SES needed to avoid giving the impression that it had a monopoly in respect of certain types of services. The TG discussed at some length who might be the most important partners in the ecosystem, with whom SES would have a business-critical relationship.

Critical relationships and partnerships: Recommendations

15. We recommend SES should consider and clarify how it might better serve and support social enterprises (which remain isolated) in rural areas of Scotland (including island communities) and community-led enterprises and making this a priority.

16. We recommend that SES seeks to establish relationships with academic institutions to develop the evidence base to illustrate the economic, social, and environmental benefits of social enterprise as a business model for the future.

17. Finally, we recommend that SES commits to reporting back to, and engaging with, the social enterprise movement on how it is progressing in the implementation of the previous 16 recommendations on a regular basis, initially over the next 18 months.

Critical relationships and partnerships: Advice and Guidance

- *SENs and TSIs are key partners* and developing and maintaining these relationships will be central to SES in the future and cut across all the individual relationships, connecting with local networks and priorities.

- The developing relationship between Social Enterprise Scotland and the Scottish Government could be negotiated into an outcomes-based Strategic Partnership Agreement rather than a contracted relationship with broad principles and objectives underpinned by a grant. This gives a degree of authority and credibility to act as a proxy for the wider sector on key issues and founds the relationship based on trust and respect.

- Partnership working will be a key critical success factor for the developing organisation and building joint programmes, combined events, and showcase activity is a way to cohere and mobilise the sector.

- SES should remember that most social enterprise organisations work in local contexts (even in major conurbations) and consider how a refreshed, distributed, place-based advice and support partnership might work with the third sector interfaces and current social enterprise networks.

- Ensuring that the new SES operational team has some time and space to develop as an ideas-based strategic group, to unpack its considerable collective experience, and to rebuild that into a vital, organic, and responsive operational plan is a pre-requisite for future energy.

Background

Social enterprise is a worldwide movement in which Scotland is proud to have a prominent place. Social enterprises trade in many markets, selling goods and services to individual consumers, local authorities, central government, and private businesses. A social enterprise is a socially conscious business that recognises the need to be profitable and at the same time is committed to bringing about social change through reinvesting profits in that change.
The latest (unpublished) data for 2022 suggests a small increase since 2019, and that there are more than 6,000 social enterprises operating in Scotland, and the number is growing across a diverse range of activities.

There is a constantly changing and complex ecosystem that supports social enterprises in Scotland. At a local level, Social Enterprise Networks (SENs) and Third Sector Interfaces (TSIs) exist to provide opportunities for local networking and market development, but there is variability and gaps in what is often provided or resourced. At a national and regional level, there are several organisations that provide funding and investment, start up support, training, consultancy, and representation for the sector. This includes organisations such as First Port, the Social Enterprise Academy, Social Investment Scotland and SENScot. This eco-system can be seen by customers as difficult to understand, navigate and access.

Recently, the Scottish Government invited Social Enterprise Scotland (SES) to make the case for taking on the role of leading a Single Enhanced Intermediary (SEI) in Scotland from the 1st July 2022. SES is an independent membership organisation that is the voice of social enterprises in Scotland. It seeks to build a collaborative movement so that all social enterprises have a strong collective voice. It works with other local and national organisations to achieve its mission which is that social enterprises will be the business model of choice. SES set out its approach to this enhanced role in a business plan to Scottish Government. As part of evolving this work further, SES committed to deliver this case in partnership with the entire movement, including grassroots social enterprises and support agencies. A Transition Group (TG), representing the diversity of the movement, was established to ensure that future policies and activities reflect the needs of the whole movement. For clarity and consistency, we refer to SES, rather than the SEI in the rest of this report, which constitutes the conclusion of that work.

Context

Social enterprises come in all shapes and sizes and provide a vital contribution to local and national economic growth and have an opportunity to do more in the right conditions. The economic context for social enterprise is challenging. The impact of Covid-19 and corresponding government actions in response to the pandemic have had a profound and far-reaching impact on social enterprises, as they have had with mainstream business models. Markets have changed, delivery channels have changed, and previously sustainable business models have become obsolete overnight.

As with all times of change and crisis, opportunities also arise. These economic changes also affect mainstream business models. If one of the reasons that social enterprises exist at all is to challenge market failure and the reasons that lie behind it, then the current circumstances we find ourselves in provides the chance for social enterprise to both become a bigger part of the mainstream economy and to challenge that way of doing things.

This may be because there are profitable niches which conventional businesses choose not to (or cannot) exploit; local services where a social enterprise model can combine revenue and grants to achieve sustainability in ways that are not available to others; or where customers want a 'trust based' service (childcare, social care). In some cases, rural or community-led social enterprise fills the gaps in public services in a locality. Social enterprises can come about because there is no private or public sector provision and where traditional models are not profitable. The use of volunteers, grants and donations combine here to make services sustainable.

Scotland is fortunate in the fact that the government has through its Social Enterprise Action Plan acknowledged the contribution of social enterprise in supporting growth and addressing local needs. There has been an evolving and strong strategic relationship between the Scottish Government and social enterprise in Scotland. The Holyrood Cross-Party Group on social enterprise attests to the fact that there is a cross-party consensus on the value of social enterprise as a way of fostering economic growth, promoting wellbeing, and contributing to increasing fairness in the distribution of economic benefits.

The Action Plan put forward by the Scottish Government has three main objectives: stimulating social enterprise; developing stronger organisations; and realising market opportunities, including accessing and developing new market areas. SES will contribute to all of these as it implements this report.

A crucial point stressed by the Scottish Government is the leading role Scotland plays within the international family of social enterprise. Scotland remains an exemplar of good international practice, both in terms of the effectiveness of social enterprise in bringing together economic development and social justice, and in the way social enterprises are set up

and adopt a voluntary code as part of their governance - a model which differs in Scotland to those adopted elsewhere.

At the last census of social enterprise in 2019 there were more than 6,000 social enterprises, employing over 88,000 people, with a combined turnover of £4.4 bn. Two thirds of these were led by women. Whatever the next census (due in 2022) shows, social enterprise remains a significant part of the Scottish economy.

Our Methodology and Approach

After the award of grant from the Scottish Government to SES to support its plans there was a recognition that:

- Services to the social enterprise 'sector' should remain unaffected in the short term by the changes that were happening.
- There was a need to secure a long-term future for social enterprises in Scotland.
- The future governance of SES needed to reflect the movement as a whole.

A Transition Group (TG) was established to consider some of these issues and to guide SES. The TG had a strong breadth of representation from across the social enterprise movement and all parts of Scotland. The membership was deliberately drawn to fully reflect grassroots social enterprise, the Social Enterprise Networks (SENs), stakeholders and other knowledgeable experts from the wider ecosystem that supports social enterprises locally and nationally.

In framing the work of the TG, a clear Terms of Reference (ToR) was established that set out its role. The ToR and membership of the TG are set out in Annex A for completeness.

The focus of the TG's role was to examine the key issues of strategic importance to social enterprises. These were identified in the various surveys and conversations that informed the SES business plan to the Scottish Government. In addition, it was considered important to recognise the role and achievements of SENScot over a number of years and to build on its success   The TG was established to ensure that what emerged in the future was the result of an open and transparent process and has the widest support of the social enterprise movement in Scotland.

More specifically, the TG was invited to consider (but not exclusively):

- Future membership criteria for SES which are inclusive whilst reflecting the voluntary code.
- Future governance structures that reflect the whole movement.
- Future services and functions that the SES might offer – its value proposition to members and supporters.
- Critical relationships with key partners within the overall eco-system supporting social enterprise in Scotland.
- Future communications and engagement with the movement – how it fits within a diverse and changing ecosystem.

The TG, having deliberated, was invited to make recommendations to the Board of SES to inform its further evolution. This report represents the conclusion of that work.

The TG held six meetings combining video conference and physical attendance, to enable as full participation as possible. A dedicated Microsoft Teams channel was created to enable members to share ideas, and any research or evidence that might be relevant to discussions. All the meetings were minuted and papers were published in a dedicated area of the SES website. A dedicated email was established to enable contact to be made directly with the TG.

The Group was supported by a secretariat led by an external consultant to SES and included Alistair Grimes as an external advisor and Jenny Smith as administrator. Members of the SES senior staff team sometimes attended meetings to present papers and contribute to discussion as required. This was particularly useful in helping the TG understand the business case that SES developed to support its application to the Scottish Government. The TG also had access to the business case developed by SENScot and we are grateful to the organisation for supporting this process.

The TG, under its terms of reference, was required to undertake a degree of external engagement about its emerging conclusions and recommendations. It was considered important that assumptions and principles were tested with those who might become members or use the services of SES. There was a specific commitment in relation to consultation on draft recommendations. The TG hosted five regional/national online events to test emerging thinking with members and stakeholders. These events contributed to the TG's understanding of the issues concerning social enterprises. Attendances ranged from four to 20.

During the final phase of the work of the Group, a final national online event took place to share the draft recommendations of the Group with the wider sector, and around 25 people participated. Summaries of the points made in both sets of consultations are included as Appendix B.

Approach to the Work

It became clear from initial thinking that the TG needed to be clear about the ***values*** that would underpin SES in the future. These were explored in some detail. Following that discussion, it was agreed that there were three themes that could be considered in turn by the group:
- Membership and Governance – who would be members and how would SES be governed?
- Functions and Services – what is the appropriate role of SES and what services should it offer?
- Critical Relationships needed – what is the role of SES in the ecosystem and how should it interact with the wider system of support?

The question of communication and engagement with the movement within a complex and evolving ecosystem was woven into the discussions on functions/services and critical relationships, rather than treated as a separate issue.

It became clear at an early stage that there were significant and important inter–relationships between these things, and there was little advantage in considering them in isolation. The Group therefore developed its thinking on all three issues in parallel. This allowed for a deeper and fuller understanding of them to emerge, and for members to be able to realign their thinking as the work progressed.

Each meeting had specific papers, and presentations were used to stimulate discussion and reach interim conclusions. The remainder of this report sets out this thinking and makes recommendations.

All recommendations are made in a separate section at the end and should be read alongside the guidance and advice section.

Values

The TG emphasised the importance of behaviours as the decisive test of values. It is what organisations do, not what they say, that matters. This demonstrates integrity and builds trust and confidence in SES and thereby attracts members. The TG further emphasised the need to ensure that values and behaviours run throughout the organisation from Board level, through to the staff and the content and tone of how services are delivered.

The main **values** identified were:

- *Trust* – SES needs to act in a way that builds the trust of members and stakeholders. This, in turn, means being honest with them and delivering what it has committed to do.
- *Integrity* is the pre-requisite of building trust.
- *Transparency* – social enterprises need to be able to see how SES acts, takes decisions and is governed.
- A willingness to be *member-led* and consult and listen to members.
- There is unambiguous evidence that SES is trying to be *inclusive and open-minded.*
- A commitment to *democracy* –that SES values the voices of its members, including those who are not heard at present, to shape its future.
- A commitment to *diversity* – illustrates that SES wants to create a "broad church" and resists the idea of a monoculture of motivation and ways of working within social enterprise.
- A commitment to *partnership and collaboration* – recognises that there is power in collective responses and that those outside the movement will have something to offer.
- Promoting *sustainability* – as one of the primary features of social enterprise; it is environmentally, financially, and socially sustainable.
- Promoting *innovation* in the organisation and across social enterprise as a movement – recognises that this is about not just what is the case, but what is needed.
- A commitment to *excellence* and high-quality services.
- Finally, a commitment to delivering real and sustainable *social impact* across Scotland.

The Group considered it important that SES has a value of being non-competitive and would define this in the following way:

SES has 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 it is establishing new innovative products and/or 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.

Membership and Governance

Membership

The TG were led in their discussions about membership by a paper from Kim Wallace, Director of Membership in SES. The paper reminded members of the mindset of members and what they were looking for from SES, drawing on the Scottish Government's own work in this area. The Group was encouraged to use the available research in directing any offer to members. Networking, influence, access to skills and a sense of belonging are critical.

The TG was reminded that research by Culture Hive into membership organisations made several important recommendations which might help shape how the membership offer might need to evolve. This includes more individualised offerings, developing habit forming engagement, a shift to online community, being mindful of competition, and evolving the offer with the times.

The TG spent time considering the principles of membership and the role of the Voluntary Code in defining eligibility for membership of SES in the future. Broadly, there was agreement that subscribing to the voluntary code is sufficient for being recognised as a social enterprise. The TG concluded that there was a distinction to be made between an arbitrary eligibility based on legal structure alone, as it is the behaviour of the social enterprise that is important. The asset lock remains essential but should be tested beyond the boundaries of legal structure alone. The TG wants to safeguard the social enterprise brand by separating out *social* profit as the main characteristic of its membership.

A small (but potentially growing) number of organisations allow individuals to invest in them and to be paid a dividend, or to repay capital. These sums are usually quite small and were contrasted with the fact that a social enterprise taking out a large loan and paying interest on it is, in effect, content to allow private shareholders in a bank to make a profit whilst remaining 'code compliant.'

It is impossible to predict how the social enterprise movement will evolve in the future in terms of typology and funding and investment sources and the TG agreed that any solution needed to be effective for the long term. The Group recognised it was not its role to offer a new definition of social enterprise, but to make a distinction between private and social profit after any capital is taken into account and how it is treated.

A proposed solution has two parts. First, profits can be used to repay capital (including capital provided by individuals). Second, it was agreed that a transparent process (with an appeal mechanism) would be put in place by SES to deal with "borderline" cases as and when they arise.

The TG noted and agreed that there could be various categories of membership but there is a need for simplicity and to avoid clutter. There is a simplicity in having a membership structure

that accounts for full members and 'others'. This is outlined the recommendations and, in the Advice and Guidance section.

A differential fee structure would also apply (as well as some distinction between members and supporters) in the service proposition. The TG noted the assumptions made in the SES business plan around income from membership fees and the need to balance income generation with the ability to pay.

A further technical matter on membership that the TG grappled with is that of 'passported' memberships for members of other intermediaries who were already members. It was decided, on principle, not to 'passport' members of other organisations, but to allow bi-lateral agreements on joint membership if mutually beneficial. The reasoning for this was that in particular circumstances, SES and another intermediary could increase their reach without undermining their financial models or diluting their brand.

Governance

The TG discussed in outline the responsibilities of Board members and if they 'represented' constituencies within the movement. Some of the questions that were discussed included:

- What is the 'electoral college' and are there reserved places, for example, for, women-led businesses, smaller social enterprises, rural social enterprises, and young entrepreneurs? This will need to be balanced against the skills and experience needed to be an effective Board member.
- What responsibilities do Board members have? Teasing out that they are (as Board members) not *representatives* of a constituency but have a *legal duty* to promote and protect the best interests of the intermediary itself.
- Are there maximum/minimum numbers for certain constituencies (e.g. no more than two CICs (Community Interest Companies) limited by shares; no more than two advisory members)?
- Does the Board have sub-groups or advisory groups?
- Membership of the Board will only be open to full members?
- Should there be capacity for co-option, and if so, what are their voting rights?

In the end, the TG took the view that it could only advise SES on its model for governance and should not seek to prescribe solutions, but stressed the importance of SES showing a commitment to refresh its structures to reflect the composition of the broader social enterprise movement. The other key point in discussions was a recommendation to ensure that full members would always be in a majority over those co-opted to the Board, that only full members elect Board members, and that members should be registered in Scotland or trade in Scotland as a condition of full membership. The Transition Group thought SES might be sensitive to the potential consequences of having other national intermediary organisations which were social enterprises on its Board.

Functions and Services

In considering the future role of SES, the Group was mainly interested in the mission and values of such an intermediary. The Group therefore took some time to examine values and behaviour before a detailed consideration of function.

It took as its starting point the current mission and values set out in the SES business plan (and included in an earlier section) and that of SENScot. It was acknowledged that mission and values work can be time consuming, and the Group wanted to acknowledge the careful thought that would have shaped this previous thinking.

Both SES and SENScot shared some common values, and the Group concluded that they should continue to shape the thinking and the work.

The TG spent some time reflecting on the importance of SES having a set of behaviours that saw it as not competing with its members. This '***principle of non-competition'*** with social enterprises is something that will influence the functions and services that are delivered. The Group felt it was important that there should be ***no conflicts of interest*** between SES and social enterprises. This is reflected in the recommendations.

The Group therefore developed this examination of behaviour further, and building on the SES strategy, articulated this as:

- **A strategic organisation**

SES will have a key role in providing strategic intent and vision for the sector.

- **A forward-thinking organisation**

SES will have a vital role in horizon scanning and considering what challenges and opportunities social enterprises might expect. It will have a role in shaping future policy and identifying improvements and innovation that can support social enterprise and in turn maximise social impact. It will need to explore how it can draw on the experience of its membership and collaborate with other organisations, academic institutions, and others to assist it in this work.

- **An aspirational and championing organisation**

SES will be proactive in advocating for social enterprise and improving the environment in which social enterprises operate. It should seek to excite and stimulate discussion about future opportunities and potential innovations and encourage the ambitions of the sector.

- **A collaborative organisation**

SES will need to understand the landscape in which it is operating and determine where and with whom it should collaborate to best support its membership and fulfil its policy responsibilities. Establishing connections, collaborations and, where appropriate, working relationships with relevant interests from the wide range of organisations operating in the

social economy and beyond will be important. In so doing, SES will increase its influence, credibility, and effectiveness, be better able to serve its members and social enterprise more generally and contribute to strengthening policy ambitions through partnership.

- **A listening organisation**

SES needs to win the confidence and trust of the broad range of social enterprises so that it can advocate effectively on their behalf with all those who shape the policy environment. It therefore needs to be able to build trusted relationships with different segments of the social enterprise movement and work in a way that reflects that it has genuinely listened to and understood their diverse needs, aspirations, and concerns.

- **A reflective organisation - a feedback loop**

Reflecting on what it hears in relation to the quality and appropriateness of the support that is being delivered to social enterprises, SES needs to provide informed input on what is needed across the range of interests and be capable of providing honest, impartial feedback both to the Scottish Government and to the agencies that deliver commissioned services. Whilst SES will be a strategic partner in the Scottish policy context and will contribute to the shaping of service support to social enterprises, it should seek to operate in a way that reflects sufficient independence and objectivity.

- **An independent, membership led organisation**

Despite being reliant on SG for its funding, it is important for its wider credibility that SES demonstrates accountability to its members both for what it does and how it communicates externally.

- **A safe space for open debate and challenge**

SES will build a culture of trust and openness across its membership which, over time, will permit it to host the kind of conversations that explore prevailing ideas, values, and beliefs across the sector and where there is space for open debate and challenge.

The TG recognises that the characteristics described above cannot be 'baked in' from the outset. Instead, the layered relationships that they imply need to be cultivated slowly and sensitively over time. However, from the outset it will be equally important for SES to make clear the direction of travel that it wishes to move in.

The SES vision beyond transition

SES's current vision is that social enterprises are crucial to forging a successful, agile, and fairer Scotland and are a valued and vibrant part of the Scottish economy, making a significant contribution to a sustainable, net zero economy, increasing wellbeing, diversity and reducing inequality in Scotland. The TG supports this vision.

In respect of strategic objectives, the TG supported those outlined below:

- Building the role of social enterprise as part of the economic, social, and cultural mainstream making a significant contribution to a fair, just, and sustainable Scottish economy.
- Providing a central focus for social enterprise in Scotland – engaging proactively with, and coordinating across, the sector, fostering collaborations across different sectors and interests and creating space for discussion, debate, forward thinking and innovation.
- Reflecting the views, issues, and aspirations of social enterprises to engage with and influence the policy, economic and social context.
- Raising awareness of the value and impact of social enterprise and assisting social enterprises to be increasingly effective in delivering social impact, recognising their role in sustaining vital services and supporting communities.
- Stimulating and supporting social enterprises to become more sustainable and resilient and increase their longevity.
- Maximising the opportunities for networking, learning exchange and collaboration in building capacity and the knowledge base.
- Encouraging and empowering social enterprises to realise their potential and develop to their optimum, including those that want to grow and scale as well as well as those that want to consolidate or remain small and focused within a specific context.
- Increasing awareness of new markets and encouraging more new businesses to see social enterprise as their business model of choice.

What are the functions of SES in the future?

The TG was presented with several alternative expressions of the potential functions of the SES. There was an acknowledgment of a significant role as a movement builder to grow the number of social enterprises. However, growth in this context could relate to number and strength of voice, rather than individual business growth that will not always be desirable and possible. The TG was clear that it was the role of SES to argue the case for the economic and environmental conditions in which social enterprise might thrive, rather than be thwarted. It is considered important that the SES has a deep understanding of what those necessary conditions might be, and how to bring them about. This might include challenging traditional business models as well as bringing social enterprise businesses into the mainstream of economic development

The TG saw the need for SES to facilitate a conversation amongst social enterprises and between social enterprises and government and other stakeholders. Some members of the Group saw this as distinct from a lobbying role which it saw as specific and in relation to activity that is designed to influence public policy and legislative change. For ease, activity covered by the Lobbying (Scotland) Act 2016 was seen as distinct from work to provide a strong voice to government as part of its day-to-day role as a government sponsored intermediary.

In respect of the relationship with Scottish Government, the TG recognised the inevitable conflict between being an independent intermediary whilst being reliant on government funding to support its work. The TG noted the term Single Enhanced Intermediary was a government construct, necessitated by a competitive exercise. There was a clear suggestion that SES should decide this was a "label" it wanted to disassociate itself from as unhelpful in terms of engaging with social enterprises and continue under the brand of Social Enterprise Scotland.

It was seen as fundamental to the role of SES that it should be an independent, and if necessary, critical voice in relation to Scottish Government policy. In that old, hackneyed phrase, "speaking truth to power".

The TG discussed in some detail the merits or otherwise of SES being an administrator of funds for the sector. Whilst an intermediary has a legitimate role in arguing for investment in the sector, and leveraging in investment, the Group had some difficulty in supporting a role in administering pots of funding to the sector. This might compromise its independence and would place it in a position of deciding which members are beneficiaries over others. This would place SES in a potentially compromised position. Depending on the funding, it could also lead to competition with members for resources.

On the other hand, the TG recognised that it did not want to "tie the hands" of SES for the longer term, and that often the business of distributing funds can contribute to a sustainable business model. The SES business plan is premised on the principle that it will reduce its dependence on government grant to both protect its independence and become sustainable if the funding climate were to change. The TG therefore saw this as a short term and limited function, executed in circumstances where no-one else could do it. The Group acknowledged it would be legitimate for SES to receive a contribution to its administrative costs for this work.

The thinking in this area was helped by the analysis set out in Annex C.

Critical Relationships

In thinking about the potential contribution of SES, it was considered important to understand a few points.

First, SES is only one player amongst many others in the ecosystem. There is a complex system of national, regional and local players in the system of support for social enterprises. The TG revisited the visual created as part of the Scottish Government Social Action Plan. This is set out in Annex C. In examining this diagram, the considerable complexity was obvious, and yet the ecosystem is fluid. It was concluded that the map at Annex D was no longer accurate and did not sufficiently reflect how the ecosystem operated.
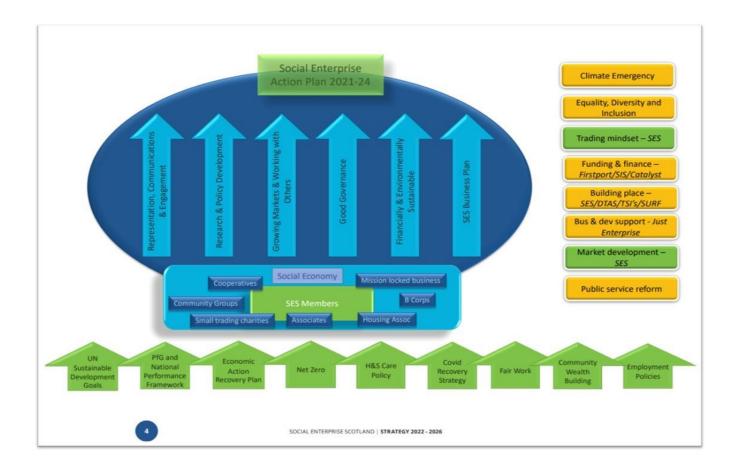
A key point considered by the TG was that relationships are not static and involve issues such as trust and openness. The focus on critical relationships as an issue reflected the need to make sure that SES was finding ways to build trust and confidence in its objectives and performance, such that partners at all levels – community, regional and national – want to continue to engage with it over time and feel part of a conversation, rather than just the recipients of requests or orders.

The TG recognised that it would be important for SES to have a deep understanding of the system in which it was to operate and how it might add value. The Group was strongly of the view that it was necessary for SES to accurately represent the interests of social enterprises in the Highlands and Islands for example, where the supporting infrastructure had evolved to fill gaps, in the full knowledge that many in rural Scotland feel under-represented by central belt organisations and their focus. TG thought it important that differences were acknowledged in its delivery model.

In discussion, the Group thought it important that SES needed to avoid giving the impression that it had a monopoly in respect of certain types of services. It also needed to distinguish itself from organisations such as SCVO (Scottish Council for Voluntary Organisations), which has a broad membership, noting that not all social enterprises are voluntary organisations and not all voluntary organisations are social enterprises. How might it offer something different?

An alternative perspective is offered by SES itself in its strategy, and in its business, plan submitted to the Scottish Government. The diagram below describes the intermediary as an 'archway' within which all the parts of the sector can have a home. The model better reflects the fluidity of the ecosystem, by showing the pressures from the economic and policy environment as well as the distinct role of SES in holding that complexity on behalf of others and having a level of confidence in its distinct role.

The diagram is not well understood outside of SES, and the TG has taken a view that it would be helpful for an accompanying narrative to be developed in the future to articulate the concept of an 'archway' more clearly.

Social Enterprise Action Plan 2021-24

Representation, Communications & Engagement

Research & Policy Development

Growing Markets & Working with Others

Good Governance

Financially & Environmentally Sustainable

SES Business Plan

Social Economy

Cooperatives

Mission locked business

Community Groups

SES Members

B Corps

Small trading charities

Associates

Housing Assoc

Climate Emergency

Equality, Diversity and Inclusion

Trading mindset – *SES*

Funding & finance – *Firstport/SIS/Catalyst*

Building place – *SES/DTAS/TSI's/SURF*

Bus & dev support - *Just Enterprise*

Market development – *SES*

Public service reform

UN Sustainable Development Goals

PfG and National Performance Framework

Economic Action Recovery Plan

Net Zero

H&S Care Policy

Covid Recovery Strategy

Fair Work

Community Wealth Building

Employment Policies

SOCIAL ENTERPRISE SCOTLAND | **STRATEGY 2022 - 2026**

4

The TG discussed at some length who might be the most important partners in the ecosystem, with whom SES would have a business-critical relationship. These are outlined in the Advice and Guidance section.

Recommendations

Membership Structure

1. The voluntary code is adopted as a criterion for full membership.

2. Full members will need to be registered in Scotland or trade in Scotland.

3. The existing code working group should be asked to reconvene with the aim of engaging with existing code subscribers and the wider social enterprise movement to review the code (which was last updated in 2018) and ensure it is still fit for purpose.

   The working group should be given resources and a timetable.

   Membership of the working group should be reviewed as soon as possible to ensure it reflects the current breadth of the movement.

4. CICs with shares, Community Benefit Societies, and other community enterprises with shares, should be eligible for full membership, so long as:
   - they have an asset lock, and
   - the only funds that are distributed externally are those that are used to repay the reasonable costs of capital (including capital provided by individuals in the form of shares, bonds, or loans), and,
   - any remaining profit once the cost of capital is repaid should be reinvested and not distributed as private dividends to shareholders.

5. Apart from full members we recommend two further membership categories.

   a. An aspiring membership category for start-up organisations which would have three years to meet the full criteria for membership or become an associate member.
   b. A supporter category to include (amongst others) socially enterprising organisations that operate in the wider social enterprise ecosystem, local authorities, arms-length agencies, TSIs and SENS, housing associations, corporate supporters, and individuals.

6. Membership fees for each category should be determined by the SES Board with a view to balancing the income needs of SES and providing low-cost membership to front line social enterprises.

7. Where there is uncertainty about code compliance, or which category of membership is applicable, that the SES Board creates a verification process to decide.

8. There should be an appeal mechanism on membership to the full SES Board.

Governance

9. The SES Board should be elected by full members only.

10. SES should set in motion a process to refresh its Board so that it reflects the social enterprise movement in Scotland and emphasises the importance of representation by frontline social enterprises.

Services and Functions

11. SES should have no direct role in the distribution and management of funds except in specific cases where there is benefit to social enterprises, no one else can fulfil the role, and for a short-term only.

12. SES should take a role in incubating new ideas/activities, nationally and locally, and then spinning them out to a relevant social enterprise or partner.

13. There is a need to articulate the thinking behind the 'archway' diagram as a way of explaining to the movement and partners how SES sees itself operating in the ecosystem of support.

14. We acknowledge that SES should be sensitive to the possibility of competition with members, and recommend the following principle be adopted:

SES has 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 it is establishing new innovative products and/or 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.

Critical Relationships

We recognise that SES will need to form robust relationships with other organisations whose remits cross, or touch on, the world of social enterprise to ensure coherent and seamless services can be provided where possible. The identification of partners and the working out of how to collaborate best with them will remain as objectives for the Board of SES. However, we wish to state:

15. We recommend SES should consider and clarify how it might better serve and support social enterprises (which remain isolated) in rural areas of Scotland (including island communities) and community-led enterprises and making this a priority.

16. We recommend that SES seeks to establish relationships with academic institutions to develop the evidence base to illustrate the economic, social, and environmental benefits of social enterprise as a business model for the future.

17. Finally, we recommend that SES commits to reporting back to, and engaging with, the social enterprise movement on how it is progressing in the implementation of the previous 16 recommendations on a regular basis, initially over the next 18 months.

Advice and Guidance

The Transition Group (TG) discussed a few potential recommendations that it felt were more suited to being seen as 'advice and guidance', or needed further elucidation, for the SES Board as it seeks to operationalise the TG report.

These included:

Membership and Fee Levels.
- The TG was clear that the voluntary code be adopted as a criterion for full voting and membership and that the code should be reviewed and, if necessary, updated in consultation with both current code subscribers and the broader social enterprise movement.
- The TG was less exercised by other forms of membership (associate, corporate, aspiring etc.) and was happy to let the SES Board decide on the number of categories.
- The TG encouraged increasing the 'reach' of membership and reaching smaller, frontline, social enterprises.
- The TG wanted fees to be as low as possible to bring in as many enterprises as possible, but were conscious of the effects on the SES budget and, therefore, its sustainability.

Board Membership
- The TG felt that a commitment to refreshing the SES Board was important. It would send a powerful message to the movement that SES wishes to refresh its Board and reflect the movement as a whole, including reaching constituencies that have, so far, not been involved with SES, rather than listening to the loudest and best-connected voices.

Roles and responsibilities of Board members
- The TG agreed that it was important to note that the legal duties of SES Board members include a primary responsibility to that organisation. In this (legal) sense they are not the representatives of any electorate or of the social enterprise movement as a whole. This will be important in forming a new Board.

Functions and Services
- Amplifying the voice of the sector on key current issues affecting the sector - cost-of-living, sustainability, investment programmes, direct funding opportunities, cross-government cohesion - requires a real-time concentration on public affairs, a fast and nimble approach to engaging the sector and a direct route into government, politicians, and influencers at all levels.

- The opportunity for the SES team to be the lightning rod for the sector is predicated on its ability to reach and touch its membership directly (a membership often working in rural and isolating contexts) and a detailed engagement programme is an absolute requirement for this. Building on what is currently there and auditing the future

opportunity, an efficient and consistent engagement programme - newsletters, learning exchanges, webinars, tool-kit development, thematic fora, advice surgeries, practitioner workshops, helplines and more - will build the intellectual and emotional capital required.

Critical Relationships
- SES will seek to have partnerships and relationships with several organisations and agencies, including:

> - *Organisations whose sole support focus is social enterprises/asset locked businesses.*
> - *Organisations which have a wider remit/ mixed constituency but have a commitment to supporting social enterprise.*
> - *Organisations that support forms of enterprise where there is an overlap with social enterprise (e.g., co-operatives).*
> - *Organisations which focus on place-based regeneration, community-based regeneration, female or BME entrepreneurship and recognise that social enterprises are part of this constituency.*

- However, the TG stressed that *SENs and TSIs are key partners* and developing and maintaining these relationships will be central to SES in the future and cut across all the individual relationships, connecting with local networks and priorities.
- The developing relationship between Social Enterprise Scotland and the Scottish Government could be negotiated into an outcomes-based Strategic Partnership Agreement rather than a contracted relationship with broad principles and objectives underpinned by a grant. This gives a degree of authority and credibility to act as a proxy for the wider sector on key issues and founds the relationship based on trust and respect.
- Partnership working will be a key critical success factor for the developing organisation and building joint programmes, combined events, and showcase activity is a way to cohere and mobilise the sector.
- SES should remember that most social enterprise organisations work in local contexts (even in major conurbations) and consider how a refreshed, distributed, place-based advice and support partnership might work with the third sector interfaces and current social enterprise networks.
- Ensuring that the new SES operational team has some time and space to develop as an ideas-based strategic group, to unpack its considerable collective experience, and to rebuild that into a vital, organic, and responsive operational plan is a pre-requisite for future energy.

Annexes

Annex A: Transition Group Terms of Reference
Annex B: External Consultations: Key Themes
Annex C: Function and Services Analysis
Annex D: The Social Enterprise Ecosystem Map
Annex E: Members of the Transition Group

Annex A
Terms of Reference for Transition Group

Single Enhanced Intermediary Transition Group

Background

Following the grant award by the Scottish Government to deliver the Single Enhanced Intermediary for social enterprises to Social Enterprise Scotland (SES), we have put in place several steps to ensure that the transition is as seamless as possible. This is to ensure that services to social enterprises are not interrupted in the critical early days and that future policies and activities reflect the needs of the wider sector including grass roots social enterprises.

We also want to ensure that what happens over the next six months builds a relationship of trust and confidence between the single enhanced intermediary (SEI), social enterprises and others who are active in this area. SES wants to be transparent, engaged, and flexible within the financial and operational requirements of the new contract.

For example, we will be commissioning Community Enterprise to carry out a consultation exercise to inform our actions and looking at making our governance structure more representative of the social enterprise movement.

We are also establishing a Transition Group (TG) which will work over the crucial next six months.

We think that it is critical that the TG deals with two types of issues – processes (are we talking and listening to the right people in the right way?) and content (are we talking about the right issues and coming up with the right recommendations?).

The Transition Group's purpose is to bring together a small number of knowledgeable and trusted individuals who can guide SES on how to minimise disruption in the short-term and maximise the support for social enterprise in the long-term so that it's potential as a SEI is realised. It is not to create a shadow governance structure, nor to represent the social enterprise movement.

The following paragraphs outline the Terms of Reference (ToR) for this group.

Membership:

We want the membership of the group to reflect a balance of grass roots social enterprises, stakeholders, SENScot (as a co-creator of much of the current infrastructure for social enterprises) SENs and knowledgeable and independent experts who can act as critical friends. Members are set out in Annex E.

Composition of the Transition Group will be

- Independent Chair
- SENScot Board Member – appointed by SENScot
- Social Enterprise Scotland Board member – appointed by SES A further
  6 to 8 members will be appointed to the TG.
- Both parties nominated a number of individuals after joint discussions, and this provides the best opportunity to have a group that is diverse, inclusive and has the skills and experience from across the sector that are necessary.
- Invitations to join the TG will achieve a blend and mix of skills and competencies from nominated individuals.

SES will provide the Secretariat for the TG.

Timescale:

The TG will have a 6-month remit, when it will report back, with recommendations, to the SES Board.

Goals:

The primary goal is to support SES / SEI to develop the Business Plan for implementation and action from 1st July 2022 which has widespread support from social enterprises, stakeholders, and the Scottish Government.

The secondary goal is to ensure that SES / SEI has identified the key longer-term issues which will need to be addressed in order to deliver its business plan until 2024 and beyond. These may include:

- Governance – establishing a new structure for the Board
- Membership – agreeing membership criteria
- Voluntary Code – embedding the principles of the voluntary code in the SEI
- Functions and services to be provided by the SEI and the deployment of resources and partnerships beyond the transition to deliver this • A communications strategy for the period after transition
- Examining the potential areas for organisational growth and the impact on future staffing growth

Deliverables

A full review of the consultation with the wider sector carried out by Community Enterprise. The TG will set terms for this piece of work and the results will be presented back to the TG for consideration and review.

The TG will consider -

- • Future governance arrangements for SES
- • Democratising future governance to reflect the social enterprise movement in Scotland
- • Future membership criteria (bearing in mind our commitment to a 'broad church' approach endorsed by SG)
  - • Future finance
  - • Future functions

All of these will contribute to our ambition of growing, strengthening, and deepening the impact of social enterprises across Scotland.

A final report for the SES Board by end of October including some Information sessions (end of September) to outline findings and recommendations. This will be presented to social enterprises, funders, and stakeholders

Scope / Jurisdiction

The TG will be responsible to the Board of SES who will store any documentation collected as part of the work of the Transition Group. This information will be held by the Secretariat and made available to social enterprises and key stakeholders as appropriate determined by the Transition Group and in accordance with GDPR (except for commercially confidential or staffing sensitive information).

Meetings and SEI Budget

The TG will agree on the frequency and schedule of meetings during this transition period, with dates earmarked in advance to assist engagement.

The TG should be mindful of adhering to the SEI budget agreed with SG and the priority areas for action outlined in the SES bid.

There should be a meeting/seminar/mini conference to explain findings and recommendations at the end of July and after the closure of the TG after 6 months in Autumn 2022.

Resources and Budget

The TG will have a budget of £5,000 for consultation and £1,500 to cover expenses for travel, meetings in different parts of Scotland, and any publicity. These will be made available by SES, who will also provide the secretariat.

In order to manage resources, the TG will engage in discursive style meetings, avoiding the need for lengthy papers and other supporting documents. It is assumed that all members will bring their expertise to these discussions, and this will inform any conclusions and /or recommendations for approval.

Governance

If possible, the TG should operate by consensus. If this cannot be achieved a simple majority will be noted.

- The quorum for meetings will be 5 members. If a quorum does not attend, decisions/recommendations may be agreed by written procedure.
- Meetings will be called by the Chair with at least 5 working days' notice, and in-line with published wherever possible.
- Any papers presented to the TG will also be circulated 5 days in advance, wherever possible.
- The Transition Group will meet for a defined period, at the end of which it will have no residual role. It is the role of SES Board to consider all Transition Group (TG) recommendations, in accordance with its governing documents and membership on 30 June 2022, and for the SES Board to determine the extent of acceptance in discussion with the TG, and to give feedback to the TG to determine which recommendations can be adopted.
- The recommendations from the Transition Group will be shared transparently with the full membership for consideration.

Annex B
External Consultation: Key Themes Emerging

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. The SEI needs to have something to say on the current issues that is vexing the membership and the sector.

There was a suggestion that SES supports public agencies to better understand and engage with social enterprises. This might promote the availability of funding to support vital volunteers whose work is not often well understood and supported.

Network Support

There was agreement that network support should continue, and 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 TSIs 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 do not have much time for engagement events / webinars, and any activity must be time effective.

There was support for an MoU with the TSIs. 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

There was a 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 TSIs 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 SENs 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. There was a strong sense that SES had to understand and engage with local groups more, something that SENScot was good at.

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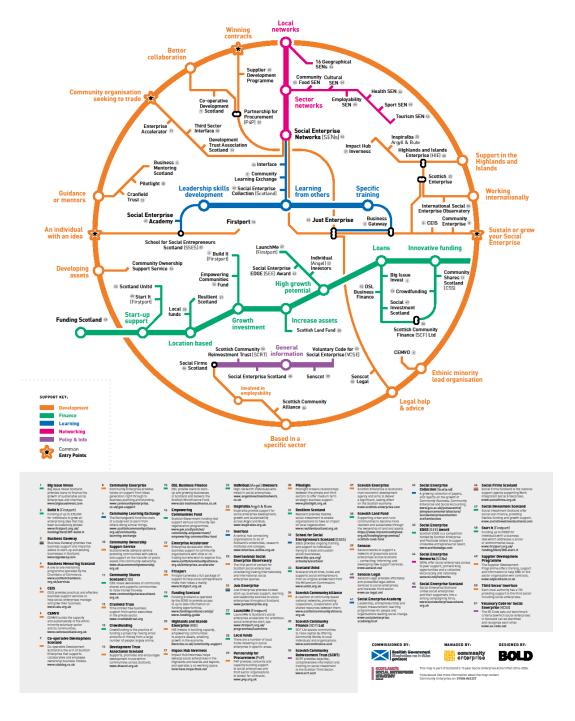
There was support for the idea of not using the term "SEI".

Annex C – Functions and Services Analysis

Potential role	In scope or not?	Rationale
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
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
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 in social enterprise	No	Except in specific cases that would benefit social enterprises and no-one else can fulfil the role. Short-term only.
Providing direct business support to social enterprises	No	Others are doing this.

Annex D
The Social Enterprise Ecosystem Map

Annex E
Transition Group Members

Professor Ian Welsh OBE (Chair)
Pollyanna Chapman
Jennifer Robertson
John Halliday
James Hilder
Claire Patullo
Ailsa Clark
Yvonne Strachan CBE
Angus Hardie
Irene Mosota
Martin Avila

Contact Page

Learn more about Social Enterprise in Scotland:

www.socialenterprise.scot
hello@socialenterprise.scot

Social Enterprise Scotland
Thorn House
5 Rose Street
Edinburgh EH2 2PR