

Social Economy

A review of the Scottish Executive's Policies to promote the



SCOTTISH EXECUTIVE

Making it work together

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FOREWORD

1. The social economy plays a significant role in Scottish society and in the economy. It has an income of about £2.2 billion – or about 4% of Scotland's GDP, it employs 100,000 people and involves 700,000 volunteers in over 44,000 voluntary organisations, including some 22,000 charities.

2. Social economy organisations are independent of the state, have primarily social objectives and their surpluses are reinvested for that purpose. Many of these organisations have established themselves as important contributors to the delivery of public policy objectives in areas such as housing, child care, community care and the New Deal. They play an important part in stimulating the development of vibrant local communities and in delivering public services. In carrying out these tasks they can provide added value and are particularly effective in working with those excluded or disadvantaged groups where other organisations might find engagement difficult.

3. Over the past four years, the Scottish Executive has substantially increased support for the social economy. We fully acknowledge the contribution that social economy organisations play and we recognise they could play an even stronger role in improving the social and economic wellbeing of Scotland.

4. This report sets out a strategic framework for strengthening social economy organisations which builds on the sector's achievements to date. Good relationships between social economy organisations and the public and private sectors are vital if we are to use their complementary strengths. In activities as diverse as renewing neighbourhoods, providing training and support for unemployed people, and helping disadvantaged communities fight the scourge of loan sharks, key social economy organisations have already shown that they are particularly well equipped to contribute to the front-line delivery of our strategic objectives. We will consider how such organisations might, in future, be actively commissioned to do so.

5. Scottish Ministers are keen to encourage a wide range of organisations to involve themselves in tackling poverty in Scotland. We have made significant advances since 1999, through initiatives such as making 137,000 homes warmer through the Warm Deal and expanding child care provision with help from social economy organisations. However, we acknowledge that there is more we can do by using the capacities of social economy organisations when we bring partners more closely together.

6. Community Planning provides the framework to foster vital partnerships and together with Social Inclusion Partnerships (SIPs), we are putting life back into disadvantaged communities. We believe that extending the involvement of strengthened social economy organisations in these processes can only deliver better results in local areas. Social economy organisations should be key partners in taking forward community regeneration.

7. This review of our policies provides clear evidence of our continuing commitment to the sector and establishes a framework for stimulating the development of social economy organisations. We will discuss with the sector the steps that might be taken to remove some of the current funding anomalies which inhibit growth. Ways of securing greater stability of funding for social economy organisations will form part of this consideration and we will continue to work in partnership with them to encourage the sustainable growth of the sector.

8. We will develop further guidance to assist social economy organisations and other partners such as Scottish Enterprise and Communities Scotland to ensure there is no duplication of effort and to ensure that all the organisations contributing to the social and economic wellbeing of Scotland are clear about what role they can most usefully play.



Margaret Curran MSP
Minister for Social Justice
January 2003

A REVIEW OF THE SCOTTISH EXECUTIVE'S POLICIES TO PROMOTE THE SOCIAL ECONOMY

Executive Summary

1. The Scottish Executive is committed to improving service delivery across the public sector. Ministers have made it clear that they are interested in effective outcomes more than the means of delivery. Recent years have seen an increasing involvement in public service delivery of social economy organisations which combine a business-like approach to delivering services with one or more explicit social objectives. Organisations such as the Richmond Fellowship, the Wise Group, One Plus and the Glasgow Simon Community, and many others, have demonstrated a capacity to grow their organisations by finding and developing market opportunities and by acting in entrepreneurial and innovative ways, working with those responsible for commissioning public services to deliver new, effective and customer-orientated public services. And now, increasing numbers of voluntary sector bodies are playing an effective part in delivering on key Executive agendas in terms of service delivery and in contributing to the regeneration of disadvantaged communities.

2. But there is a growing recognition that the full potential of the sector is not yet being recognised. This is reflected by work being undertaken by the UK Government following the publication in 2002 of the Treasury's Review of the role of the Voluntary Sector in Service Delivery and the DTI's Social Enterprise Strategy. In order to address similar issues in Scotland, this review therefore:

- examines the arguments for encouraging and supporting an expansion in the social economy as part of the wider agenda to improve service delivery and tackle deprivation;
- considers the factors which have underpinned existing success stories within the social economy sector;

- examines the capacity and the potential of the sector generally to build on existing success and to contribute to the step change in the effectiveness of public services in Scotland that Ministers are seeking;
- identifies the obstacles which are perceived to inhibit organisations within the sector from fulfilling their potential to be effective players in the public service delivery market; and
- presents a plan of action for tackling those obstacles and promoting the further development of the sector.

3. Because the social economy agenda bears upon a wide range of Scottish Executive responsibilities, this review also relates to, and informs, the planned Strategic Review of Funding for the Voluntary Sector which the Executive will be undertaking jointly with the sector and with local government, starting early next year. It has also influenced the Executive's plans to change the way in which charities are regulated, which were announced in December 2002.

4. Its main findings are:

- that social economy organisations can bring added value to the delivery of public services in terms of their capacity to innovate, their closeness to and ability to engage effectively with and meet the needs of their customers/clients and the communities in which they operate, and their access to resources such as volunteer effort and charitable donations;
- that there is a case for the Executive to encourage the growth and sustainability of such organisations, so as to increase the range and supply of organisations able to effectively deliver public services;

- that the Executive's strategy should be one of
 - identifying where there is potential for the delivery of Executive priorities to be enhanced by greater involvement of social economy organisations in service delivery markets;
 - supporting the development of social economy organisations in these areas (both helping existing organisations to grow and supporting the development of new organisations);
 - removing obstacles that stand in the way of such organisations achieving their full potential;
 - ensuring that appropriate support mechanisms are in place; and
 - developing the intelligence base about the nature of the social economy and its social and economic impact and development needs and priorities;
- that ultimately it should be for individual social economy organisations to demonstrate their worth to bodies responsible for commissioning public services. Social economy organisations should not be given an inside track in comparison with other potential suppliers but should always have the opportunity to fully demonstrate their capabilities and particular advantages which their service delivery models can offer;
- on funding, the particular requirements are:
 - the need to develop further a wider market of financial products available to and appropriate for social economy organisations so as to allow them to adopt financial arrangements appropriate to their business needs and reduce their dependency on grant; **(Action: Executive to work with UK Government, financial institutions, Enterprise Networks, Communities Scotland, Social Investment Scotland and relevant social economy organisations in developing a wider range of financial products available to social economy organisations; and to develop the capacity of social economy organisations to gain access to and to benefit from such products.)**
 - the need to improve existing grant arrangements, by simplifying application requirements and improving the efficiency of payment structures; **(Action: Executive to work with SCVO, local government and Communities Scotland to cover these issues in the joint Executive/SCVO strategic review of funding.)**
 - explore the options for developing funding support mechanisms which encourage social economy organisations to accumulate reserves without undermining the requirements of public accounting; **(Action: as above.)**
 - the need to develop the asset base of organisations, particularly to increase their ability to access alternative funding sources such as loans; **(Action: Executive to consider issue in the light of (1) recommendations of the Scottish Social Inclusion Network sub-group which is considering issues of empowering communities; and (2) work being undertaken on this issue by the Social Enterprise Unit in the Department of Trade and Industry.)**

- The need to allow social economy organisations to include the relevant portion of overhead costs within their bids for service contracts and to identify any further financial obstacles to development; **(Action: Scottish Executive to advise the sector on the implementation of full cost recovery for service contracts and with SCVO and CoSLA, to assess options for overcoming any further strategic obstacles to the development of social economy organisations (including the stability of current funding relationships) in its forthcoming strategic funding review of the voluntary sector.)**
- that in relation to market access and capacity building, the main requirements are
 - under the requirements of Best Value, for those responsible for organising public services to be prepared to consider social economy solutions and for a code of practice to be produced to support this; **(Action: Executive to take account of the recommendations of this review in preparing guidance to local authorities on Best Value.)**
 - for those responsible for auditing public bodies' Best Value performance to establish procedures which will allow them to monitor the extent to which social economy organisations are given an equal opportunity with other potential suppliers to make their case to supply public services; **(Action: Executive and local government to discuss with the Accounts Commission and Audit Scotland development of appropriate audit procedures.)**
 - for social economy organisations to be given support to allow them to improve their capacity to market themselves and tackle misconceptions and ignorance about their capabilities; **(Action: Enterprise Networks, Communities Scotland and other business support organisations to develop and provide support and training.)**
- for social economy organisations to be encouraged to develop a 'learning' culture that promotes leadership and management excellence; **(Action: Enterprise Networks, Communities Scotland and other business support organisations to develop and provide support and training.)**
- that in relation to support services for social economy organisations
 - the key objective needs to be a structure of support that is accessible, that provides the kind of support needed by organisations and that offers organisations choice;
 - the boundaries of responsibilities of support organisations should not be rigidly defined. There should be a range of accessible provision from which customer organisations can select the kind of support which best meets their needs. But there should be complementarity and co-ordination between providers and co-ordinators of support services (in particular the network of Councils for Voluntary Service, local authorities, the Enterprise Networks, Communities Scotland and Community Planning Partnerships but also specialist social economy development agencies). The main public sector organisations (the Enterprise Networks and Communities Scotland) should design the services they offer around their key

strengths and core purpose. They should not provide services in a way which will inhibit support activity that may be offered by other organisations;

- there should be a market for the support services available to social economy organisations. But within that market there should be some allocation of responsibilities to the main public sector providers of support services – the Enterprise Networks and Communities Scotland. That division should reflect both existing expertise and existing policy responsibilities.

Action:

- **the role of Scottish Enterprise and its associated network should be to concentrate on the support and development of social economy businesses that are close to market sustainability. In doing so, Scottish Enterprise should ensure that the services it offers are appropriately shaped to meet the particular requirements of the social economy sector;**
- **the role of Highlands and Islands Enterprise and its associated network in developing the social economy in the Highlands and Islands area should continue along existing lines;**
- **the role of Communities Scotland should be**
 - **to monitor the market of support services available to social economy organisations**

- **working with those organisations and with the providers of support services, to identify gaps, areas for improvement or opportunities for rationalisation in provision and to implement action to tackle issues identified, again working with relevant organisations**
- **to develop and support mechanisms to improve the ability of social economy organisations to access support services which are appropriate to their particular needs**
- **to work with other public sector organisations to increase opportunities for the social economy in delivering services**
- **to ensure that Registered Social Landlords (RSLs) fulfil their potential as asset-owning organisations, to regenerate their communities. Communities Scotland will do this by improving the support it provides to RSLs to develop as businesses by providing direct funding for new initiatives, removing barriers to RSLs becoming effective regeneration organisations and identifying and disseminating good practice.**
- **The role of other support organisations, including the Councils for Voluntary Service and Community Planning Partnerships, should be to work together to identify local needs, develop local programmes of support for social economy organisations and agree local arrangements for delivery (which may differ from place to place).**

- The role of Scottish Executive Departments should be to work with the Enterprise Networks, Communities Scotland or other development organisations, to develop strategies for supporting the growth of social economy organisations working in their policy areas, which they consider to have the potential to contribute to improved service delivery.
- The role of the Voluntary Issues Unit should be to
 - maintain an overview of all this activity through regular contact with all relevant organisations. The VIU should, on a regular basis, report to Ministers on the progress that is being made in developing the social economy and on areas where Ministerial intervention may be required
 - liaise with all the organisations mentioned above in order for them to produce more detailed proposals for turning this general indication of priorities and tasks into specific actions and programmes.

1. PURPOSE AND CONTEXT

Purpose of the Review

1.1 Across the Executive and the wider public sector there is a renewed emphasis on the effective delivery of public services. This urges concentration not on who delivers those services or by what means, but on whether, from a consumer's perspective, the services provided meet the requirements of the people that use them and in many cases depend on them. This approach lies at the heart of the Best Value initiative and demands that all service delivery options are examined critically and, particularly, that the potential for different approaches to service delivery is fully tested. Another key strand of Executive policy is a new emphasis on empowering local people and organisations to become involved ever more effectively in the plans and actions to regenerate deprived communities.

1.2 From sources across Scottish public life, and indeed across the UK, the view has been expressed that the social economy has up to now been an under-used resource in terms of its potential to deliver effective public services, both because it is currently under-developed in its capacity to deliver services and because its potential is not adequately appreciated by bodies responsible for organising the delivery of such services. There is a broader recognition too, of the important role which social economy organisations can play in supporting the development of communities, particularly in deprived areas. This has implications for a number of the Executive's key policy agendas including community planning, community regeneration and environmental justice. **The purpose of this review, therefore, is to assess the social economy's potential to contribute to the achievement of key Scottish Executive objectives and to identify how the Executive and other public sector and independent agencies might help the sector to realise its potential.**

What is the Social Economy?

1.3 There is a very long history of organisations which are independent of the State providing services to citizens – services which complement and/or meet gaps in public service provision. Such organisations can take many forms – from private sector companies, to other corporate firms, such as mutuals or social firms, to charities, to small, local community groups. Organisations have sometimes operated on their own initiative and to their own agenda without any direct engagement with the State or local government in terms of the services they provide or in the funding of those services. But there is a tradition also of public (i.e. State or local government) involvement with the delivery of such services, for example through the provision of support funding of the provider organisation or through the direct commissioning of services from that organisation.

1.4 Both the Scottish Executive and the wider public sector in Scotland engage with many different types of organisation in many different ways to achieve the delivery of policy agendas. While many of these relationships are with private sector providers, normally on a commercial basis, or with public sector organisations, there is also a significant level of interaction with a wide range of independent service-provider organisations which are constituted largely or partly with social objectives in mind. These organisations are categorised broadly as the social economy.

1.5 In the same way that there is no absolute definition of the public or private sectors (there are, increasingly, as old barriers break down, hybrid organisations or organisations which don't quite fit with any traditional view), so there is no generally agreed definition of the social economy. There is a spectrum of economic activity within the voluntary

sector ranging from the small and locally focused to the activities of major not-for-profit businesses with turnovers running into millions of pounds. But in the same way as there is a broad recognition of what is meant by the public or private sectors, so on a general 'family resemblance' principle it is possible to reach a reasonable understanding of what constitutes the social economy.

1.6 But exact definition is actually not important. Indeed it could be counter-productive in attempting to impose certainty on what is a dynamic area of economic activity. This review has therefore adopted an open approach to what may or may not be included within the term 'social economy'. It assumes certain underlying key characteristics – voluntary management, established for a social purpose, non-profit distributing, community or user participation – but within that framework, its recommendations are for the most part broad. It does not, for example, draw a distinction, as some work (including the UK Government's Social Enterprise Strategy) legitimately does, between on the one hand organisations which operate or aspire to operate as self-sustaining, not-for-profit businesses (often termed social enterprises) and other parts of the voluntary sector that may be more limited in their economic activity. Some of this report's recommendations will therefore apply to all organisations that might regard themselves as falling within the social economy sector. Some will apply to only a proportion of the sector.

1.7 Experience has shown that social economy organisations have the potential to add value on three fronts:

- to services by bringing a user and needs-led focus to planning and delivery; by providing access to services to hard-to-reach groups; by innovating and developing; by attracting dedicated charitable resources, financial and human; and by reinvesting surpluses;

- through policy development by making independent contributions to public debate informed by their service experience and their user focus; and
- by developing social capital. This can be achieved sometimes simply by the location of a social economy organisation within a community, creating employment and encouraging new economic activity. But it can also be achieved through building the capacity of communities to determine and act on their own definitions of the public good, providing vehicles for independent social action, developing neglected human skills, creating networks of communication and decision taking in communities of place and interest.

1.8 It is, of course, not the case that because a particular organisation can be categorised as being a social economy organisation it will, for that reason, bring added value to the delivery of services beyond a public or private sector provider. As in the public and private sectors, some organisations in the social economy are well run and some badly run, some are open to new methods and some are not. But many social economy organisations are well equipped *structurally* to deliver these forms of added value.

1.9 Social economy organisations are also well equipped to add value to public spending by complementing it with unpaid volunteer input and dedicated charitable funding. The volunteer input at Board and director level is, of course, one of the defining features of the social economy. By virtue of their non-profit public benefit status, social economy organisations are also well placed to attract large numbers of volunteers to help in service delivery. While services delivered through public sector organisations are sometimes also able to attract volunteer support, 80 per cent of volunteering takes place through the voluntary sector. Overall the monetary value of this volunteer contribution, costed

at the average wage/per hour, is estimated at an annual £6 billion for Scotland.

1.10 Direct charitable funding by individuals is estimated at over £370 million a year in Scotland, with charitable trusts and other sources of dedicated funding adding a further £90 million.¹ Most of that money is not available to public or private sector organisations, though bodies associated with central or local government which have charitable status are sometimes rivals for a share of it. In the value for money criteria which it applies to its financial support for the social economy, Highlands and Islands Enterprise expects £6 of additional money to be levered in for each £1 it provides to the social economy, though that includes other public funding as well as charitable funding.

1.11 Social economy organisations have in common a sense of social purpose and functions which include economic activity. But in other respects they are as diverse as organisations in the public or private sectors. Some are fully-fledged businesses, entrepreneurially inspired and driven, and may have more in common with private sector businesses than with some other social economy organisations.

1.12 At the other end of the scale, some organisations will regard themselves as being far removed from a business model and have no aspirations in that direction. One of the propositions of this review, however, is that the encouragement and development of more commercially orientated disciplines across the social economy sector as a whole is a pre-requisite of the sector overall improving its performance and fulfilling its potential. This is predicated on two assumptions:

- that social economy organisations all have one or more 'products' which they wish to make

available. (The term 'product' is used here to describe the purpose towards which the economic activity of the organisation is directed, e.g. provision of childcare, provision of advice and support for epilepsy sufferers); and

- that it will be one of their main goals to provide those products as efficiently and as effectively as possible so as to maximise benefits to the organisation's 'customers'.

1.13 This is not to argue for a strict business motivation to apply to all social economy organisations. Rather, it is to say that a failure to run social economy organisations in a business-like way (in terms of having, for example, clear objectives, a long-term business plan/strategy which guides the organisation, business processes to encourage efficiency and effectiveness, access to finance in forms most appropriate to the organisation's business and development needs, etc.), will act as a continuing inhibition to the development of individual social economy organisations and of the sector as a whole. This would be in the interests neither of those organisations nor of the people and communities they serve nor of the long-term prospects for improving public services in Scotland.

Context

1.14 There have recently been a number of initiatives and developments which have contributed to an increased public sector focus on the social economy sector, in particular:

- a new focus given to the Enterprise Networks in terms of their social justice responsibilities – most recently, the development of Scottish Enterprise's Social Justice Strategy;
- the creation of Communities Scotland with its remit specifically including responsibility for developing the social economy;

¹ *The Voluntary Sector and devolution: Funding the Scottish voluntary sector*: published by the Joseph Rowntree Foundation: SCVO: November 2001.

- participation by a range of organisations, including SCVO, the Enterprise Networks, Communities Scotland, and two social economy organisations in an ESF Equal Development Partnership, entitled 'Strengthening the Social Economy';
- the creation by the UK Government of a Social Enterprise Unit, located within the Department of Trade and Industry, with a remit to support the development of social enterprises;
- the recent publication by that Unit of its strategy for social enterprise² – a document which potentially has a number of implications for social economy organisations in Scotland;
- recent reviews by the UK Government's Performance and Innovation Unit on Charities and the wider not-for-profit sector³ and by the Treasury on Cross Cutting Review: the role of the voluntary sector in public services;⁴
- the establishment of Social Investment Scotland as a new source of loan funding for social economy organisations and as a means of supporting and developing Community Development Finance Institutions (CDFIs) across Scotland;
- proposals by the UK Government to introduce Community Investment Tax Credits and a venture capital fund to support social enterprises;
- a study, supported by the Executive to look at the prospects for establishing a market for 'patient capital' (equity-type funding) for social economy organisations in Scotland, now published by Community Enterprise in Strathclyde under the heading 'Sharing in Success';⁵
- the forthcoming strategic review of public sector funding of the voluntary sector;
- the Scottish Executive's response to the recommendations of the McFadden Commission⁶ on the reform of charitable law in Scotland which would have potentially significant (and beneficial) implications for the social economy;
- the Executive including a requirement to support the development of the social economy in the priority tasks for the national network of Councils for Voluntary Service; and
- work undertaken externally on defining and valuing the Social Economy in Scotland.⁷

UK Government Studies

1.15 This review has been undertaken at around the same time as a number of studies covering similar or related territory which have been conducted by the UK Government. The **Social Enterprise Strategy**, 'Social Enterprise: A Strategy for Success', produced by the Social Enterprise Unit within the Department of Trade and Industry, sets out a three-year programme by which, working with external stakeholders, the Government will seek to promote and sustain social enterprise activity at national, regional and local levels. The strategy focuses on social enterprises, but covers some of the same

² Social Enterprise: A Strategy for Success: DTI: July 2002.

³ Private Action: Public Benefit. Cabinet Office: September 2002.

⁴ *The Role of the Community & Voluntary Sector in Service Delivery – a Cross Cutting Review*: HM Treasury: September 2002.

⁵ *Sharing in Success – Patient Capital for the Social Economy in Scotland*: Community Enterprise in Scotland: March 2002.

⁶ *The Report of the Scottish Charity Law Review Commission*: Charity Scotland: May 2001.

⁷ *The Social Economy & Economic Inclusion in Lowland Scotland*: McGregor, Clark, Ferguson & Scullion: TERU University of Glasgow with Community Enterprise in Strathclyde & Simon Clark Associates: January 1997.

ground as the social economy review. Some of the recommendations in the strategy could potentially apply to social economy organisations in Scotland and there will be lessons to be learned in Scotland from work done south of the border. The Executive will therefore be maintaining its contacts with the Social Enterprise Unit and developing opportunities for sharing experiences.

1.16 The Performance and Innovation Unit Review into the legal framework for the voluntary sector, sets out – for consultation – a package of proposals for reform, some of which could have an impact on social economy organisations in Scotland. In particular, the review proposes:

- a new legal form for social enterprise – the Public or Community Interest Company;
- modernising the law on Industrial and Provident Societies; and
- consulting on the feasibility and value of a branding scheme to increase the profile of social enterprise.

1.17 This work bears upon proposals to reform charity law in Scotland arising from the work of the McFadden Commission.

1.18 The Treasury cross-cutting review of the Voluntary Sector role in public service delivery, published in September 2002 makes a number of recommendations which would potentially impact on social enterprises, covering the areas of business support, capacity building, access to finance, research into the sector and access to local authority markets. The report also proposes a number of actions aimed at removing barriers to growth and

development by social economy organisations together with an action plan to implement the report's recommendations across Whitehall. Within the Scottish context, some of the outstanding issues addressed by the Treasury review will be dealt with by the Executive's planned Strategic Funding Review for the Voluntary Sector due to report in 2003.

2. KEY ISSUES

2.1 Given that the focus of this review is particularly on social economy organisations' capacity to deliver public services and to assist community regeneration, the following key issues arise:

- why and how the Executive and the wider public sector should be seeking to engage social economy organisations more in public service delivery and in support of its policies for the regeneration of communities;
- the obstacles to achieving that; and
- actions for overcoming those obstacles and for achieving greater involvement.

Taking each in turn:

Why and how should the Executive and the wider public sector be seeking to engage social economy organisations more?

2.2 The first reason is simply the **size and spread of the social economy** in Scotland and thus its importance to the country's overall economic performance. Though numbers depend on the definition of the social economy, the best estimate is that a definition which covers all organisations which engage in some form of economic activity will include a significant proportion of the 44,000 voluntary organisations in Scotland, (the higher the level of economic activity set in the definition, the smaller the number of organisations that would be included in it). These organisations employ 100,000 paid workers and mobilise 600,000 plus regular volunteers. They generate an annual turnover of £2 billion representing 3% of Scotland's GDP. They include charities and non-charities, some with limited company status many without, social firms,

community enterprises and other community-based organisations, self-help groups and other mutuals which satisfy the public-benefit principle, housing associations and campaigning groups. They are active in every area of policy interest – community care and children's services, housing, community regeneration, education and vocational training, research, health, transport, rural development, the environment, arts, cultural heritage and sports, overseas development, religious activities, civil rights and animal welfare. The sector is a dynamic one accounting for a significant proportion of new business starts and of employment opportunities.

2.3 The second reason for seeking an enhanced contribution and performance from this sector is the extent to which it is **already a major and effective player in delivering public services**.

Within the last four decades the voluntary sector has evolved from a charitable 'add-on' to the welfare state to being a major provider of services in selected areas, a key player in Government social inclusion strategies, and an important vehicle of civil society as partner or interlocutor with the state. In Scotland today the social economy is a major contributor to a number of important publicly-funded services including community care, children's services, housing, vocational training, and arts and sports, as well as a contributor to health, education, environmental and conservation services. While it remains a junior to the public sector as a service provider except in some highly specialised areas – for example services for residential care for people with severe learning disabilities, counselling and hospices – its contribution is substantial. A rough measure of its significance is that its paid workforce of 80,000 (full-time equivalent) is almost one third of the workforce of all Scotland's local authorities. In rural Scotland, its contribution is proportionately larger. A recent

survey of the social economy of the Highlands and Islands carried out for Highlands and Islands Enterprise estimates its paid workforce at 8,500 (full-time equivalent), 60% of the combined workforce of the four local authorities in the area.

2.4 This demonstrates that the model can and does work (and is therefore potentially expandable to new organisations and new policy areas); it suggests capacity to develop further the role of existing successful organisations; and it gives credibility to the analysis coming from established social economy organisations of the obstacles currently being faced in developing the social economy's service delivery role. The sector is well equipped to extend its contribution to at least four of the Scottish Executive's strategic priorities – social inclusion, strengthening communities, improving public services and making Scotland a competitive place. It is also active and capable of making a significant contribution to key target areas including employment, education, health (including the free personal care agenda), closing the opportunity gap and sustainable development.

2.5 A third reason for building the sector's role, is that having invested significantly in the sector's infrastructure in recent years, the Executive should be seeking opportunities **to derive benefit from the improvements in the sector** which have resulted. Over the last five years the Scottish Office and the Scottish Executive have significantly extended central Government support for the social economy as part of their policies for the voluntary sector. Those policies have included the agreement and implementation of *The Scottish Compact* with the sector as a framework for the sector's relations with Scottish government and its agencies; a commitment to reform Scots law on the regulation of charities backed by the establishment of the McFadden

Commission to recommend a reform package; the doubling of funding for the voluntary sector's local support infrastructure (including Councils for Voluntary Service); major investments in the promotion of volunteering and in the voluntary sector's IT capacity including the development of a voluntary sector Portal; and support for the establishment of Social Investment Scotland as a source of loan funding. Direct central government funding for the sector grew from £22 million in 1997 to £39 million in 2001. A range of other Executive programmes delivered through public bodies or partnerships, notably those supporting its social justice objectives, have also provided additional funding for the sector in one or other of its roles. Funding to the sector from all Executive sources totalled £360 million in 2002-03 – an increase of £17 million over the previous year.

2.6 Taken together, Scottish Office and Executive policies over the last five years represent a major investment in the capacity of Scotland's social economy, with expenditure on the sector's infrastructure in the current year rising to about £10 million. The present challenge for the Executive is to ensure that it obtains the best possible return on its investment by ensuring that the actions it takes are such as to allow the sector to contribute to its full potential to Executive priorities.

2.7 The remit of the newly established Communities Scotland, the successor to Scottish Homes, includes promotion of the social economy alongside community regeneration and housing regulation. Beyond central government, most local authorities have developed and to varying extents formalised their relationship with the social economy. Their role, as major commissioners of services and as funders of the voluntary sector/social economy, is critical to the future development of this sector.

2.8 In the same period some categories of social economy service providers have derived particular benefit from Government spending priorities, notably Housing Associations and community care organisations whose share of the mixed economy of community care introduced in the 1990s has grown to around £200 million a year. Among central government's public bodies in the same period Highlands and Islands Enterprise has substantially extended its support for the social economy as part of its social remit and Scottish Enterprise has developed support for the sector as part of its social inclusion commitment.

2.9 Partly as a result of this investment, the social economy has, over the last decade, experienced rapid growth. Since 1995 its paid labour force has nearly doubled and income has grown by around 40%. However, recent survey evidence suggests that in the last three years the sector's income has not kept pace with the continued growth in its service activities, as indicated by annual growth in employment of nearly 10% a year in those organisations with incomes over £500,000. While income over these years has grown by 10%, expenditure has grown by 13% cutting the surplus available for the further development and forcing some organisations to dip into their reserves. Reports from social economy organisations including service organisations support the survey evidence of narrowing financial margins. This suggests that the time is ripe to re-examine the investment that has been made already with a view to ensuring that it continues to deliver the outcomes that were intended and that new opportunities are explored.

2.10 A final reason for seeking greater engagement of social economy organisations in the delivery of public services is the potential which exists to exploit the **unique qualities which social economy organisations are able to bring to service delivery**. Much of the work carried out by social economy organisations directly contributes, by virtue of the markets in which they operate, to the Executive's agenda for closing the opportunity gap. Furthermore, as has been discussed above, voluntary organisations (which comprise most of the social economy) have as their distinguishing features their independence from the state, their commitment to public benefit, their unpaid volunteer leadership, and the fact that they reinvest any surplus that they make – all factors which can bring added value to public service markets.

3. OBSTACLES

3.1 The previous section of this report examined reasons for the Executive and the wider public sector scaling up its engagement with the social economy as a provider of public services. The following paragraphs discuss the obstacles which are perceived to stand in the way of the sector fulfilling its potential in this area.

3.2 The main obstacles which this report identifies are:

- funding arrangements for social economy organisations and linked to that a lack of assets;
- market access: what is perceived to be an uneven playing field for social economy organisations in tendering processes for service delivery contracts; and
- lack of clarity over support mechanisms for social economy organisations.

Funding arrangements

3.3 Most social economy organisations receive their funding from a range of sources – grant income, earned income, charitable donations, borrowing, etc. While charitable fundraising direct from the public or from grant-giving trusts remains an important source of income at around 25% of the total, the social economy has been steadily developing its capacity to earn income. Trading, rents and investments now provide 32% of its income while another 11% (£200 million) comes from mainstream public service markets through contracts or service agreements. Obviously, for different organisations within the sector, the balance of their funding arrangements varies. For example, as a general rule, the larger the organisation, the greater is the proportion of its income likely to come from revenue. For organisations with an annual turnover of less than £100,000, around 17% is likely to comprise revenue.

For organisations with annual turnover greater than £500,000, the proportion is likely to be around 45%. But across this diversity, the sector as a whole has a general concern that the financial infrastructure of the kind necessary to underpin successful economic activity in any sector is, in the case of the social economy sector, weak; and this acts as a significant inhibitor of the sector's capacity to develop.

3.4 The infrastructure weakness takes a number of forms. First, the existing infrastructure **lacks diversity**. While, for example, private sector businesses can, depending on their business needs and circumstances, access a wide range of financial products in a spectrum including different kinds of borrowing, equity and grants, the market place available to most social economy organisations is much more limited – restricted in many cases to grants and charitable giving (whether from companies under the flag of corporate social responsibility or from individuals). Where they seek to access commercial financial products, they often find that those products do not fit their particular financial needs. It is easy to attribute this lack of diversity to the operation of financial markets – put crudely, the notion that financial institutions are unlikely to invest in not-for-profit businesses. But as is discussed in the final section of this report, this is an over-simplification. Opportunities do exist for creating viable markets, though there are barriers to be overcome both within financial institutions and social economy organisations themselves. Financial institutions need to be persuaded that there are commercial opportunities within the sector involving acceptable risks and returns; and sector organisations need to develop an understanding of how different forms of financial support, that they might not previously have contemplated, may not expose their business to unacceptable risks but may actually allow them to operate more efficiently and effectively.

3.5 Secondly, there is an **inherent lack of stability in the income streams** of many social economy organisations. This can serve to inhibit their capacity to develop a broader-based, and therefore more secure, financial structure. While organisations such as housing associations have the capacity to negotiate, for example, loan finance deals on the strength of long-term rental income, others, which may for example rely on grants or renewable three-year service agreements do not have this option. These issues will be addressed by the Scottish Executive's forthcoming Strategic Funding Review of the Voluntary Sector.

3.6 The third reason cited for social economy organisations being unable to access alternative financial products, particularly loans, is their **lack of an adequate asset base that can open up access to such products**. The voluntary sector is not lacking in assets. But in comparison with more strictly commercial organisations, many social economy organisations are under-endowed with assets that could be used as collateral for borrowing. This is seen as an obstacle to the development of a broader financial base.

3.7 The fourth weakness identified in the financial infrastructure is the current inability of organisations which rely significantly on grant funding to **build up reserves**. The development of any business, whether in the for-profit or not-for-profit sector requires the development of a realistic long-term strategy. The holding of a reserve provides some protection against short-term influences that can otherwise disrupt a long-term approach and can therefore provide organisations with the confidence to plan for long-term growth. But social economy organisations are often penalised by the withdrawal of grants if they generate a visible surplus. The reasons for this are clear enough. Public sector funders are reluctant to deploy scarce grant resources simply for these to apparently rest in organisations' bank accounts. There

are also public expenditure accountability issues. The Executive's forthcoming Strategic Funding Review of the Voluntary Sector will assess the scope for squaring this circle. While a move away from reliance on grant funding would help alleviate this problem, it will continue to exist wherever grant forms a part of an organisation's overall funding arrangements.

3.8 A fifth weakness concerns the obstacles placed in the way of social economy organisations by its funding relationship with Government. A key concern lies in the inability of social economy organisations to ensure that the costs of contracts for services reflects the full costs of delivery – including any relevant part of the overhead costs.

3.9 A final weakness is the amount of **effort which many social economy organisations have to devote to accessing grant money** and the extent to which this can infect the whole approach to the way in which those organisations conduct their business. Organisations experience difficulty with:

- identifying funding sources from which they might benefit;
- the different application processes and different timescales required for different grants;
- delays in grant decision processes, causing uncertainty in planning;
- the short-term nature of some grants; and
- delays in resources becoming available, even after grant awards have been agreed (a particular problem with European grants).

3.10 Experience of some or all of these difficulties can lead to organisations concentrating significant effort simply on raising resources, which could be

better employed on their core business. It can mean that realistic planning can sometimes encompass only the timeframe of the grant award; and it can engender a culture of grant chasing and grant dependency. This can lead to organisations pursuing grants in areas not central to their core business in order simply to ensure a continuing flow of resources. This can divert an organisation from its business planning objectives and damage its effectiveness.

Market access

3.11 As the following table shows, social economy organisations are very active in some policy areas. In others they have made little impact.

	Estimated Market Share
Social Housing	25%
Community care:	30%
– Day care/older people	21%
– Residential care/older people	30%
– Residential care/learning disabilities	70%
Under 25 New Deal	20%
Pre-school Childcare	10%
Health Board expenditure	1%
Adult Literacy/Numeracy	16%

(Figures from Audit Scotland reports, Scottish Executive publications, SCVO estimates)

3.12 The social economy's share of publicly-funded services does not by any means represent the sector's total contribution to priority areas of service. Social economy organisations working with socially disadvantaged groups spend around £500 million each year of self-generated income and income from private donors and charitable trusts, a sum which probably exceeds the annual total of the Executive's dedicated social inclusion expenditure.

3.13 Reasons for a lack of access to markets are difficult to pin down because they tend to be attitudinal rather than structural. But the following obstacles have been identified during the course of this review:

- bureaucratic inertia and/or a lack of political leadership to encourage the opening up of markets;
- lack of a clear purchaser/provider split across significant parts of the public sector. This can affect the incentive among existing public service providers to be prepared to open up service delivery to alternative providers;
- ignorance of the social economy sector and its capacity and, in particular, doubts within the public sector of the capacity of social economy organisations to deliver services in a consistent and effective way;
- failure by social economy organisations always to market their capacities effectively. In the face of institutional uncertainty, organisations need to present to potential contractors-out of services, cases that demand attention. There can be no assumption by any organisations that they have a right to deliver public services;
- a lack of capacity in parts of the sector to compete effectively with other potential providers of public services;
- an accountability regime that is perceived to focus on discrete service outcomes to the exclusion of wider beneficial social side-effects. In other words a perception that public sector contracting regimes are not set up so as to take proper account of the 'added value' benefits which social economy service providers can offer; and
- lack of a leadership culture that promotes excellence in management.

Support Networks

3.14 With the new emphasis that has emerged on the development of the social economy, so there have developed new support networks for organisations within the sector. There is, of course, already in place the generic and specific support provided to voluntary organisations through infrastructure bodies at different levels (SCVO, the CVS network, intermediary organisations, etc.). Then there has been in recent years the development of social economy organisations which operate specifically to provide business support to other organisations in the sector. New support mechanisms built around funding mechanisms – particularly Social Investment Scotland and Scottish Community Development Finance Institutions (CDFIs) – are emerging; and now, increasingly, public sector organisations – most notably the enterprise networks and Communities Scotland – are being asked to engage directly in a support role for the sector. In the future, Community Planning Partnerships may also have an important role to play.

3.15 This is potentially good news for the sector and its prospects. But currently the roles of the various players are not in all cases clearly defined. There is potential for confusion and unhelpful overlap and, of course, the risk of the organisations which actually need support falling between the cracks. Furthermore, different social economy organisations will require different types of support and also different support at different stages in their organisational life-cycle. Matching support to demand can be difficult.

4. REQUIRED ACTIONS

4.1 There is no magic wand which can be waved to remove the obstacles described in the previous section of this report. These are difficult issues which will require considerable efforts by a range of different organisations to resolve. But no journey starts without a first step and the following paragraphs, summarised at the beginning of the report in a series of action points, make proposals for tackling the various problems. The proposed actions are set out in relatively general terms, and the next step following publication of this report is for all those involved to develop more detailed action plans based on the broad areas of activity set out below.

Funding

4.2 Across all sectors of the economy, finance is one of the key drivers of the behaviour of organisations. The right financial instruments can encourage, motivate and even compel organisations to plan effectively, to operate efficiently, to experiment and to innovate. And the converse is also true. One of the main conclusions of this review is that much of the financial infrastructure that underpins the social economy fails to encourage, or indeed discourages organisations from developing their potential. Those organisations (and there is an encouragingly high number) which have succeeded in improving their performance as businesses have done so to an extent despite, rather than as a result of, the financial support they have been able to access.

4.3 What is needed to improve the position? The following would, it is suggested, take Scotland several steps along the right road:

- examination of ways in which public sector funding of social economy organisations, whether through grant, payments in respect of service contracts or whatever, could be delivered in such a way as to offer greater long-term financial

stability. Stability for the longer-term can be enhanced if organisations can access a range of short and longer-term financial products. But stability is also required in the early stages if an organisation is to be able to access those products in the first place;

- following on from the point above, increased availability of loan finance and patient capital (equity-type funding) to allow organisations to reduce their dependence on grant and increase their financial independence, and availability, linked to this provision of advice and support to help social economy organisations maximise the advantages to them of the availability of new funding instruments;
- improved administration of grants so as to
 - simplify applications and allow alignment of timescales; and
 - minimise delay in the payment of approved grants;
- develop mechanisms to encourage the accumulation of assets by social economy organisations, including the transfer of public assets, and further examination of the obstacles to unlocking the assets already held by the sector; and
- investigate the scope for grant-funded organisations to accumulate reserves.

4.4 The establishment of Social Investment Scotland (SIS) is a first step in developing **loan finance** that is appropriate for the needs of social economy organisations. The inclusion within SIS's initial funding of resources specifically earmarked for market development activity and capacity building is essential. As important as the availability of loan finance is the

growth within social economy organisations themselves of a capacity to manage their finances in a business-like way and to make decisions about the optimum finance package that would suit their requirements. Having an intelligent customer for financial services is as important as having the right products on the market.

4.5 It will be important, however, to ensure that the establishment of SIS is not the end of the story. The organisation is currently working to establish a deal flow in respect of its initial resource base. That is a part of its work; providing benefit to organisations in receipt of these loans and demonstrating to social economy organisations and financial institutions the potential that exists for both in developing this market. But of equal importance will be the development work with which SIS is charged, of growing the sources of loan finance available for social economy organisations in Scotland, by promoting the growth of the CDFI sector so as to provide Scotland-wide coverage. SIS will be assisted in this work by the introduction of the proposed community investment tax credit (CITC) – designed specifically to encourage, through accredited intermediaries, greater investment in deprived communities. The precise nature of SIS's role once the tax credit is in place will be a matter for its Board of Directors taking account of the views of key stakeholders.

4.6 The possibilities for the provision of **patient capital** are discussed in a recent report on this subject prepared by Community Enterprise in Strathclyde (www.ceis.org.uk). This includes a range of suggested action points and no further reference is required here.

4.7 The technical aspects of the **administration of grants** have been examined recently in a review of grant funding undertaken by the Executive.⁸ The report

of this review makes a number of recommendations about the administration of grant schemes that will be of direct relevance to social economy organisations funded by Scottish Executive grants.

4.8 This review of direct grants is to be followed by a further, strategic review of voluntary sector funding to report in 2003. This will provide an opportunity to examine, *inter alia*, ways in which public sector funders **can increase the stability of funding of organisations**. It is intended that the strategic review of funding will involve representatives from local government as well as from the voluntary sector/social economy and the Executive, so any findings will be of relevance to both Executive and local government funding sources. But the difficulty of resolving these issues should not be under-estimated. While alert to the wish of social economy organisations for longer-term funding packages and service agreements, public sector funders nevertheless wish themselves to retain a flexibility to redirect resources if new priorities emerge and such flexibility can be curtailed by long-term commitments. Issues of the scarcity of resources and of public sector accountability will have to be confronted and addressed.

4.9 As regards **asset transfer**, the lack of assets available to act as collateral is clearly regarded by many parts of the sector as being a significant inhibition on their capacity to modernise their financial structures by gaining access to alternative sources of funding, such as loans. While some public sector bodies have expressed a willingness in principle to transfer surplus assets to social economy organisations, the slow pace at which this is happening is indicative of practical problems or counterbalancing disincentives in doing so. Existing rules relating to the use of assets funded by or transferred from central government and certain other public sector bodies are also an issue. The current review has not

⁸ *Review of Funding for the Voluntary Sector: The Scottish Executive Response: May 2002.*

examined asset transfer in detail. But the forthcoming strategic review of funding of the voluntary sector provides an opportunity to look further at the problems, some of which are being addressed at UK level through the DTI's social enterprise strategy.

4.10 On the issue of full-cost recovery, the Scottish Executive concurs with the conclusions of the Treasury's cross-cutting review of the role of the voluntary and community sector in service delivery. It is therefore content for service providers to include the relevant portion of overhead costs within their bids for commercial service delivery contracts.

Market Access

4.11 As discussed in the previous section of this report, issues around the restrictions to market access for social economy organisations are particularly difficult because they are significantly concerned with attitudes. Specific market interventions to tilt the market in favour of social economy organisations or even to compel public sector providers to open up markets might in theory be possible. They might, though, raise state aid issues and they are potentially at odds with the Executive's overall approach to service delivery which is to encourage what works best. There is no evidence that social economy service provision is, by its nature, intrinsically better than that provided by organisations in other sectors though, of course, as in any markets, different providers are able to offer different products, allowing customers to select that which they think suits their requirements best. The case being mounted by this review is for social economy organisations to be allowed to prove their worth in fair competition with other organisations, not for them to be given an institutional advantage.

4.12 But a potentially significant barrier to access, at least in some markets, is the capacity of some social

economy organisations currently to participate in particular markets. The social economy strategy set out in this paper is predicated upon an assumption that social economy organisations can, potentially, add a further dimension to public service provision across various markets. This has already been proven in areas such as community care and homelessness. What is therefore required is an identification of markets in which the Executive or other commissioners of public services consider that a stronger social economy presence would add value, an analysis of those markets and a diagnosis of the potential for greater social economy engagement and then a series of actions (which might include business support, training, mentoring, etc.) directed at particular organisations aimed at achieving that potential.

4.13 Provided the capacity issue is addressed, perhaps one of the strongest cards which social economy organisations can play is to present themselves to organisations responsible for ensuring the delivery of public services as credible – indeed better – alternatives to whatever existing service delivery arrangements are in place. In other words they need to market themselves as a service delivery alternative that cannot be ignored. Social economy organisations themselves, and their support organisations need to address the credibility gap that appears to exist in terms of the perceived capacity of the social economy generally to act as an effective deliverer of services. There are, of course, many examples of good practice both in terms of the performance of individual organisations and the performance of the sector generally in particular policy fields (community care being a prime example). This needs to be 'sold' to potential commissioners of services. The possibility needs to be considered as to whether a central resource to market the sector generally and to support social economy organisations' own marketing efforts is required.

4.14 But, of course, however effectively social economy organisations market their wares, there needs to be a willingness on the part of the organisations responsible for commissioning services to open up their markets. There is only limited gain to be had from social economy organisations sharpening up their performance and offering new and better service delivery options if they are then denied the opportunity to tender for the provision of services or required to tender on unequal terms.

4.15 Opening up new markets to social economy organisations is not going to be easy or achieved instantly. However, the Best Value initiative, already being applied across local government (and shortly to become a statutory duty), and increasingly being employed across the wider public sector in Scotland, offers real incentives and opportunities for the opening up of markets. The requirement to examine both the cost and quality being offered by alternative suppliers of services potentially offers significant scope to effective social economy organisations to demonstrate their capabilities both in terms of their ability to provide services cost-effectively and their capacity to add value through their direct engagement with the communities they serve, and their access to volunteer input and to charitable funding.

4.16 But it may remain necessary, as Best Value develops, to monitor closely the conditions which can be imposed on potential suppliers. There have in the past been examples of public funders discriminating against potential social economy providers and if the social economy is to be given a fair chance to demonstrate its worth, the monitoring structures for Best Value will need to be geared to identifying and eliminating discriminatory practices. The various public sector auditing bodies will have an important role to play and as their engagement with Best Value processes across the public sector develops it will be important to ensure that this fully embraces the

need to allow social economy organisations on an equal basis with other potential providers to be given the opportunity to provide services. It is recommended that the Executive should convene a group comprising public sector auditors, officials from the Executive's Local Government and Social Justice Groups, CoSLA and voluntary sector representatives to produce guidance on this issue.

4.17 There is also an important role for social economy organisations to play in community planning. The Community Regeneration Statement sets out the Scottish Executive's policy on the regeneration of deprived communities in Scotland. The Statement identifies two key levers for change: improving core services in deprived areas and building the social capital of individuals and communities in these areas. It identifies community planning as the strategic framework within which the social justice and regeneration needs of communities can be effectively addressed and stresses the need to focus more on outcomes and the interventions most likely to achieve these.

4.18 The Statement identifies a particular role for the voluntary sector and other social economy organisations in regeneration, especially the delivery of local services and programmes for particularly vulnerable and marginalised people. This accords with the findings of the recent HM Treasury review *The Role of the Voluntary and Community Sector in Service Delivery* which found that these organisations "may be able to deliver services more effectively to certain groups because their particular structures enable them to operate in environments in which the State and its agents have found difficult or impossible".

4.19 Evidence is beginning to emerge in Scotland, for example through the Better Neighbourhood Services Fund (BNSF) that funding provided to local authorities and Community Planning Partnerships

which is based on delivering better outcomes for those receiving services, particularly the vulnerable, is resulting in resources being channelled through voluntary organisations as the most effective way of producing the desired change. We expect to see more of this as the outcome-based approach, under which services are provided by a range of providers, becomes more widespread in regeneration activity.

4.20 This section of the report has discussed how market access for social economy organisations might be improved. While it discusses the issue in general terms, there is, of course, a whole range of different markets in which there are public service delivery opportunities. A general theme running through the report is that the objective for the Executive's policy on the social economy should be organic and sustainable growth of the sector rather than an attempt at a great leap forward. In this context, it would make sense for increased market access to be sought initially in those areas in which social economy organisations are particularly suited to make an impact such as childcare provision or the intermediate employment market, or where there are perceived gaps in the market and where there is scope for innovative new approaches (such as in services for children leaving care).

Support Networks

4.21 It is not the purpose of this review to attempt to dictate in detail which organisation should do what, not least because support is inevitably an organic process, reflecting the changing needs of the sector and it is, to an extent, appropriate that it should be market-driven. The boundaries of responsibility cannot therefore be rigidly defined. It is, however, important that there should be a mixed market of provision, that the large public sector providers should not seek to monopolise that market and that they should themselves play to their

strengths. The critical requirements for an effective support market are:

- that social economy organisations should be able to easily identify, access and use support bodies that will meet their requirements;
- that they should have choice as to which bodies they choose to engage with;
- that the people working in the support bodies should have the specific skills and knowledge required for working with the social economy sector;
- that support bodies should regularly review the services they provide to ensure that they meet the needs of the organisations for which they are being provided; and
- that the overall result of support is to promote a culture of excellence in the management of social economy organisations.

4.22 In terms of the main public sector providers of business support services, work has been carried forward by the Enterprise Networks, Communities Scotland and the Scottish Council for Voluntary Organisations to map out the existing support infrastructure with a view to determining where and how best Scottish Enterprise, Highlands and Islands Enterprise and Communities Scotland can add value. Building on that work, this review proposes:

- that the Voluntary Issues Unit within the Executive should retain its overall responsibility for communicating and ensuring delivery of Ministers' overall policy agenda for the social economy;
- that given the essentially commercial emphasis of its core business development function, and in line

with its new Social Justice Strategy, Scottish Enterprise should establish its position in the social economy market as a provider of services aimed primarily at organisations either already close to commercial viability or with clear ambitions in that direction;

- that because Highlands and Islands Enterprise has developed already a distinctive, effective and recognised role in relation to social economy organisations in its operating area, that role should continue;
- that, reflecting its delivery role, Communities Scotland should seek practically to encourage and support the growth of an effective, well-organised and efficient market of support services for social economy organisations; that it should undertake work to ensure that all social economy organisations are able readily to access services that meet their business needs; and that specifically, it should support Registered Social Landlords in building an expanded role in regeneration.
- that this work should look to capitalise on the potential of other local groups including the Councils for Voluntary Service and Community Planning Partnerships to work together to identify specific needs and priorities and provide support for social economy organisations at a local level; and
- that there should continue to be a strong and continuing role, within the overall market of support services, for support organisations from within the social economy sector and also the private sector. There should, in other words, be no ambition among the major public sector players to marginalise these other organisations or to squeeze them out of the market.

4.23 The SCVO portal offers a new opportunity to provide a point of access for social economy organisations to the full range of support services potentially available to them. It is recommended that the portal is developed in such a way as to address the criteria of easy access, and easy and accurate identification of the services available.

4.24 An underpinning requirement for all support organisations is the need to develop a robust intelligence base which enables them to identify and prioritise the needs of social economy organisations, measure their impact in key service areas and develop new and innovative solutions to the various issues identified in this report. There is a clear need for scoping work to be undertaken to identify the current range of, and gaps in, research into the social economy and to develop detailed proposals for future work. The Executive's Voluntary Issues Unit has already begun to address this issue together with other stakeholders.

Conclusion

4.25 The Scottish Executive is committed to supporting the growth of the social economy. Ministers are of the view that the sector has the potential to offer new choices and opportunities and improved outcomes in the delivery of public services. This review has identified a number of areas where action can be taken forward to make real progress towards an investment culture and to improve the opportunities, capacity and performance of the sector. It provides a framework for that action. It now falls to all interested bodies including the Executive, local government, Communities Scotland, the Enterprise Networks and, of course, social economy organisations themselves, to take this agenda forward and achieve the outcomes to which this review has pointed.

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