



The Scottish Parliament
Pàrlamaid na h-Alba

Economy, Energy and Tourism Committee

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Dear John

Social Enterprises and Employee-Owned Businesses

Following on from an initial evidence session on social enterprises in August 2014¹, and evidence on employee ownership as part of our Work, Wages and Wellbeing inquiry in 2015², the Economy, Energy and Tourism agreed to carry out a short piece of work on these models of business.

We launched a call for evidence on social enterprises, employee-owned businesses and co-operative models of business in December 2015, with a focus on how such models may foster innovation and the support available for these businesses. In response we received over 40 submissions from stakeholders and witnesses.³

We also held two breakfast briefings with invited guests from businesses, support services and academia, both with presentations and open networking, followed by formal round-table evidence sessions.

- On 27th January Jonathan Coburn (Social Value Lab) gave a presentation on Scotland's Social Enterprise Census 2015, and formal evidence focused on social enterprises⁴.
- On 3rd February Sarah Deas (Co-operative Development Scotland/Scottish Enterprise) gave a presentation on the different models of employee

¹ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/79384.aspx>

² <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/90669.aspx>

³ [http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/95195.aspx#Read the written submissions received](http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/95195.aspx#Read%20the%20written%20submissions%20received)

⁴ <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=10343>

ownership and co-operatives, and the formal evidence followed on from this theme⁵.

Following these meetings the Committee agreed that I should write to you to share the evidence we heard and to raise a number of points.

From all of these events and evidence sessions it became clear to us that entrepreneurs benefit from having a range of business models to choose from, either when establishing a new enterprise or seeking to secure the continued success of an existing company. Access to support and information for business owners is crucial at these milestones, and there is merit in businesses having flexibility to define the ownership structure most appropriate to their needs and circumstances without constraints being imposed by the support and funding made available from public sector agencies.

We heard that alternative models of ownership can help to foster innovation, both in terms of developing products and services, and in new collaborative working practices. Encouraging worker engagement can lead to increased wellbeing, a reduction in staff turnover and sickness absence, as well as the improved financial security of employees. We also heard of cases where local services and businesses of varying sizes were 'rescued' through a move to employee ownership or co-operative structures.

Whilst many witnesses felt that current business support structures work well, we heard a number of concerns which we wish to raise with you.

Although we received positive feedback about support services offered by particular Business Gateways and Third Sector Interfaces, a number of witnesses suggested that there was an inconsistency of service across the country, and that sometimes establishing who to approach for help could be challenging.

- To what extent does the Scottish Government oversee and monitor support services to ensure consistent levels of support are available across Scotland? For instance, given that Business Gateway support is managed through local authorities, should there be a requirement for all local authorities to ensure specific support for establishing alternative models of business?
- What is the Scottish Government doing to map available services and fill any gaps?

We also heard concerns that some support services, such as Community Shares Scotland were subject to rolling funding, making planning for the future a concern.

- How is the Scottish Government ensuring that services are not lost when funding for bodies performing a support role (such as that performed by Community Shares Scotland) is not renewed?

⁵ <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=10357>

An overarching theme in evidence was the need for awareness-raising of the different options available to existing and potential business owners.

- What work is the Scottish Government doing to promote business opportunities outside of the limited/sole trader model?
- What, if any, specific funding is available to help businesses who are better suited to non-limited models establish themselves?

We heard the suggestion that the community focussed remit of HIE had led to increased support for social enterprises, employee owned businesses and co-operatives.

- Are there any plans to consider again the remit of Scottish Enterprise with a view to adding a community development remit similar to that of HIE, particularly in fragile rural areas?
- In what ways does the Scottish Government believe that the implementation of the Community Empowerment Act can foster social enterprise and co-operative models?

During our Work, Wages and Wellbeing inquiry, we heard concerns that public sector procurement practices were excluding potential contractors, including SMEs and social enterprises. Multi-million pound public sector contracts may preclude many small businesses from tendering.

- What steps has the Scottish Government taken to encourage SMEs - including social enterprises, co-operatives or other employee owned businesses - to bid for public sector contracts?
- What further action can be taken to improve the current position?

Whilst this work has given us a good overview of social enterprises, employee-owned businesses and co-operatives, we feel that further work could be done in this area. To that end, we hope to include recommendations for a successor committee in our legacy paper.

In order to inform our legacy paper, we would appreciate a response on the points above, and on any other policy intentions you feel are relevant to the subject area, by **Friday 26 February**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Murdo Fraser', enclosed in a thin black rectangular border.

Murdo Fraser MSP
Convener