

## **Report from the 3rd meeting of the Cross-Party Group (CPG) on Social Enterprise in The Scottish Parliament**

CPG Convener, Tom Arthur MSP, welcomed and thanked attendees.

The Convener explained that we had attempted to get a gender balanced panel but unfortunately had not succeeded on this occasion.

Attendees participated in a vote to confirm the minutes of the previous CPG meeting that had been circulated prior to this meeting.

The Convener introduced the topic of the Scottish National Investment Bank and introduced the speakers.

### **Speaker presentations**

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

I'll give an overview of the process for establishing the bank and how we get there. The Bill is currently at Stage 1 in The Scottish Parliament, dealing with governance structures etc. The idea of a SNIB dates back a number of years and there are global examples. The 2015 Scottish Government economic strategy was a catalyst for the SNIB. Professor Mariana Mazzucato of UCL and Common Weal has also promoted the idea. Benny Higgins was recruited to look into the policy and the 2018-19 Programme for Government mentioned a Bill. The Bill is currently with the Economy Committee of The Scottish Parliament, where there is broad support for the bank. The bank is about market creation not market fixing - working to tackle social issues and linked to the Scottish Government National Performance Framework (NPF). The work of Professor Mariana Mazzucato has been important. The bank missions are still in development, currently centred broadly on climate change, regeneration and demographic change. It plans to also bring together existing public sector finance streams. Now is the time for social enterprises to influence, including views on the missions. Also where the gaps are in the market in terms of finance and funding, making the most of the capital we hold. This is about long-term patient finance that goes beyond election cycles.

Robin McAlpine, Common Weal:

Common Weal are big supporters of social enterprise. It's now over to you as social enterprises to give your views and shape the new bank. We believe that the SNIB is going in the right direction. We must ensure a voice for stakeholders in advisory group to drive the strategic direction of the bank. We took part in a session with

bank officials regarding the proposed missions. We must also shape the criteria for how loans are decided and influence the bank to do things differently. It has to be an active bank and develop new markets. Got scaling up or supply chain issues? Tell the new bank. What other opportunities, perhaps risky ones, do you know of? The bank must create supportive packages for investees it's not just about getting finance in a traditional way. Think not in terms of market failure but what helps you do what you want to do. Do you have a scale up plan where you're cash tight? Ask the SNIB. It's about customer focused, long term, social change projects, things you can't get from commercial banks. Demand is essential. On launch day, what if no one comes? It needs a strong portfolio of products/customers. Read the missions broadly e.g. climate change - a product that is sustainable would fit. Make yourselves major demand pulls for the bank. The SNIB is now trying to identify packages and sectors that will make a difference, where are the gaps? Tell the bank. This can be transformational for social enterprises. It will stand or fall depending on who knocks their door. Shape their thinking and action now, in the early days. Help them get money out of the door. What will transform your enterprise?

Paul Bradley, Scottish Council for Voluntary Organisations (SCVO):

SCVO and Social Enterprise Scotland fully support the SNIB but it needs to be set up in the right way in order to transform our economy. As membership organisations our key function is supporting social enterprises and charities. We raise awareness and make sure that the third sector voice is heard and help drive forward equality and diversity. The doors are open to the SNIB. We agree that we need a SNIB and there's cross-party support in parliament. We believe in a long-term vision of social and environmental impact and a zero carbon society not so focused on growth. The SNIB Bill in parliament is enabling legislation to set it up, it's technical detail so we'll need to influence in the later stages of the SNIB too. However, the current bill doesn't focus enough on social and environmental priorities. It doesn't matter your size or structure as third sector organisations you should have access to the SNIB and it must focus on social/environmental priorities. The values of the third sector need to be in the bill but it has a standard private sector focus in the language it uses. If there are concerns about demand then the SNIB must include third sector and citizen participation. Benny Higgins has pledged that it must be a leader in equality, sustainability and similar area. But what role will the advisory group play? The group should not be about day to day operations but it can't just advise ministers, it must stay long-term to keep the SNIB on mission. Public participation is a priority - it must be different to standard banks.

### **Questions and discussion with the audience**

Rachael Hamilton MSP:

There's a real opportunity to get involved at the early stages of the SNIB. Banks are risk averse, how different will it be? What are the minimum and maximum loan thresholds and how will the bank measure economic and social value?

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

No discussion about minimum/maximum loans yet. There will be £200M each year available broadly speaking. Ministers will set the strategic direction and the bank will determine the risk strategy. How we measure social and economic outcomes is the question, it's under discussion. No underwriting or guaranteeing the bank, if it fails it fails.

Rachael Hamilton MSP: There is also the question that a social enterprise applicant could be a housing developer.

Robin McAlpine, Common Weal:

Housing providers going to the SNIB might be redirected to Scottish Enterprise. The bank must make money, it's loans not grants. But organisations that are traditionally risky could receive investment. Past the missions it's the culture of the SNIB that's important. They shouldn't be rejecting anything straight away, it doesn't have to be restrictive.

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

A different approach to risk will be inherent in the bank, as it will be different to other banks.

Tracy Thomson, Social & Community Capital, Royal Bank of Scotland (RBS):

One of the gaps is patient capital not loans. It's missing from this landscape, not just about lending.

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

Yes to debt and equity lending but also looking at other products, nothing being ruled out. We can look into it.

Robin McAlpine, Common Weal:

Another option is to guarantee loans but UK treasury rules are a restriction on this.

Leslie Huckfield, Glasgow Caledonian University:

Most social enterprises are represented by Senscot networks. Also this not the only national investment bank, others are looking in to it. John McDonnell [UK Labour Party Shadow Chancellor] is interested and also has target of doubling the number of co-operatives. The SNIB is overloaded with expectations and people will already be preparing bids. Most social enterprises don't have assets or collateral. If you go to Social Investment Scotland or Charity Bank the only asset is often the business plan. A lot of due diligence needed by organisations which is expensive.

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

Yes we have very widespread ambitions but yes we can't overstretch. A risk of lack of demand but due diligence needed. Investments must work well. Heard about the UK proposal. We're speaking to a wide range of people e.g. early stage start ups so we hear this issue and looking into it.

Paul Bradley, Scottish Council for Voluntary Organisations (SCVO):

Yes all our organisations need to work together and we need to find out what our members need, working with Senscot, Common Weal and others.

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

The Building Scotland fund [precursor to the Scottish National Investment Bank] is operating right now. We're working with them and already have case studies, building a pipeline and listening to feedback.

Robin McAlpine, Common Weal:

John McDonnell's office called us. Their plan is to have regional banks supported by a central UK investment bank. The whole point of the SNIB is to deal with the issues identified, the SNIB will happen and we're now starting to look at the detail. Those with solid business plans and no collateral should be supported and this will happen. We need a vision based on solid detail. The products offered will make or break the SNIB. Social enterprises must explain to the SNIB what products they need.

Sally-Anne Hunter, Good Funding:

I'm pleased about the discussion on different products. Most people I work with are not shareholders so can't access equity. I'm currently working with Edinburgh Napier University to examine a type of financial product that looks like equity but isn't? Mission direction is not set yet, is that right? Why those missions? What about organisations that can't fit into this criteria? Is a charity style test included?

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

The missions are not really set in stone at this stage apart from climate change. They are quite wide and sit alongside the purpose and objectives. We can also invest in other areas, guided by the National Performance Framework too. We can't do everything but very much in development. There's an opportunity to influence and we won't tie our hands.

Robin McAlpine, Common Weal:

You would struggle not to find some way to fit into this broad criteria. Objectives like the decarbonisation of Scotland can't be done by the SNIB, other solutions are needed. There are different layers of missions, it's not restrictive. There is jargon and treasury rules mean it can't lend to the public sector. It uses the language of the private sector but social enterprises are included, just a language issue. Financing good organisations is key to success.

Leslie Huckfield, Glasgow Caledonian University:

Most social enterprises are companies limited by guarantee so can't take on equity finance. Be careful about types of products or social enterprises may be excluded.

Robin McAlpine, Common Weal:

You need to tell them the products you want. I can't emphasise this enough.

Paul Bradley, Scottish Council for Voluntary Organisations (SCVO):

Language has been a barrier, it didn't sound like it was for our sector. There's a Scottish review of the SDGs [United Nations Sustainable Development Goals], this should connect with the SNIB too. Transparency is vital at the beginning in terms of how the SNIB is set up.

Amanda Taylor, Taylor Nisbet:

How much is available to invest? What about link with existing third sector infrastructure?

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

The bank will cover its costs. Business support is being explored with the enterprise agencies.

Graeme Ferguson, Fife Council:

Don't create another support agency, don't duplicate. Do you have to have been snubbed by other investors to access the SNIB?

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

There's no appetite for any new agencies. We're not looking to crowd out other investors.

Robin McAlpine, Common Weal:

If it's easier to be funded by a commercial bank then customers may be signposted elsewhere? This can be a new direction for social enterprise. Not duplication but this can support development and do transformation differently.

David Hood, Edinburgh Institute: Market creation not market fixing is good. We're working on a current project about this and how we create new markets.

Chris Nicholson, Head of Governance and Policy, The Scottish Government:

Traditional approach is being market led with a public sector "fix it" role. Now should be the other way around. The free market says "if wheels are not profitable then we don't need wheels". Government is now asking "what type of economy do we need?" and creating new markets. Opportunities in housing and energy efficiency in Scotland. Also public procurement often closed off for social enterprises, the SNIB could potentially open up new supply chains.

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### **Booked delegates**

<b>First Name</b>	<b>Last Name</b>	<b>Organisation</b>
Rachael	Hamilton	MSP, The Scottish Parliament
Tom	Arthur	MSP, The Scottish Parliament
Ellen	Archibald	North Lanarkshire Council
James	Bastone	Dundee Makerspace LTD
Petra	Biberbach	PAS
Leah	Black	Whale Arts
Paul	Bradley	Scottish Council for Voluntary Organisations (SCVO)

Berit	Braun	Social Investment Scotland
Liam	Bruce	The Scottish Parliament
Garry	Byars	Sunshine Gallery
Angelina	Correia	Cyrenians
Kaja	Czuchnicka	ACVO TSI
Kieran	Daly	Big Issue Invest
Chloe	Davidson	Glasgow City Council
Elizabeth	Docherty	Glasgow Social Enterprise Network
Susan	Doogan	Motorvate Therapies
Decio	Emanuel	Nu-El Consulting
Graeme	Ferguson	Fife Council
Daniel	Fisher	Greyfriars Charteris Centre
Louize	Gibson	Cyrenians
Thomas	Gillan	Social Investment Scotland
Erika	Grant	Project TurnKey CIC
Heather	Hall	Inspired Community Enterprise Trust
Heather	Hall	The Usual Place
Janet	Hamblin	RSM
Zahra	Hedges	CEIS/ SES
Tom	Henderson	North Ayrshire Council
Gordon	Hodgson	Edinburgh Social Enterprise
Nigel G	Honey	Ability Post Production Academy
David	Hood	Edinburgh Institute
Harry	Howarth	Social Investment Scotland
Juli	Huang	University of Edinburgh
Leslie	Huckfield	Glasgow Caledonian University
Sally-Anne	Hunter	Good Funding
Elaine	Jackson	Business Gateway East Lothian
Chris	Jamieson	SIS
Andrew	Jenkin	Supporters Direct Scotland
Josiah	Lockhart	Firstport
Colin	Love	South Ayrshire Council
Simon	Lynch	Scottish Borders Social Enterprise Chamber
Gavin	Macdonald	4 the Common Good
Callum	Macdonald	Scottish Braille Press
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Katrina	MacPherson	PKAVS
Chris	Martin	Social Enterprise Scotland
John	Mason MSP	The Scottish Parliament
Robin	McAlpine	Common Weal

Margaret	McCole	The Ridge
Liz	McCutcheon	LESL
Sara	McFarlane	Connect
Matt	McGrandles	FVSE CIC
Lorna	McKenzie	Sunshine Gallery
Grant	McLean	Voluntary Action North Lanarkshire
Claire	Miller	City of Edinburgh Council
Ian	Mitchell	CEIS
Jamie	Munro	The National Lottery Community Fund
Claire	Murray	Emotion Works CIC
Parvathy	Nair	The University of Edinburgh
Chris	Nicholson	The Scottish Government
Suzanne	Orchard McDermott	Scottish Enterprise
Duncan	Osler	MacRoberts LLP
Claire	Pattullo	Edinburgh Social Enterprise
Courtney	Peyton	Crown Estate Scotland
Angela	Porte	Pathways - Mora Consulting
Finola	Quinn	Social Investment Scotland
Chris	Raftery	Scottish Government
Rona	Renton	Motorvate Therapies (Student)
Olivia	Robertson	The Home Straight
Dan	Rous	Greyfriars Charteris Centre
Anna	Ruszel	Polish Professionals Forum C.I.C
Harman	Scott	Perth Subud Centre
Stephanie	Smith	Social Investment Scotland
Anne	Sobey	The Community Partnership
Alex	Stobart	Mydex CIC
Amanda	Taylor	Taylor Nisbet
Michelle	Thomson	Voluntary Action North Lanarkshire
Duncan	Thorp	Social Enterprise Scotland
Helene	Van Der Ploeg	The Broomhouse Centre
Emma	Veitch	Cyrenians
Kate	Walshaw	Social Enterprise Scotland
Ian	White	None
Laura	Worku	Scottish Government
Gavin	Yuill	Yuill Community Trust: CIC
Darah	Zahran	Scottish Enterprise