



## Mapping Social Enterprise Activity in East Lothian

Report for

East Lothian Social Economy Partnership

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## Executive Summary

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The key task of East Lothian Social Economy Partnership will be to support the development of a stronger social economy and social enterprise sector, with a focus on those organisations seeking to generate income through trading or contracting for public services.

The first step for ELSEP has been to conduct a mapping of the social enterprise sector. This has involved identifying existing social enterprises, assessing the potential for new social enterprise activities, identifying areas of public services which would be of interest to social enterprises, assessing support needs and making recommendations to assist ELSEP in developing a strategy.

The definition of a social enterprise adopted for the purposes of the study has been kept broad and inclusive, covering both organisations who are involved in commercial trading for social purposes, as well as organisations involved in delivering public services through Service Level Agreements.

Using this definition, the survey identified 81 social enterprises in East Lothian, 40 of which were in the childcare sector. There were groupings of organisations involved in arts and cultural activity, environmental and recycling activity and in property management to support community activity. With a more restricted definition of social enterprise where self-generated income has to be higher than 50%, the number is likely to be nearer 30.

The estimate is of a sector producing at least £1.5 million per annum in self-generated income, and employing over 230 people. The childcare sector and two large social enterprises accounted for half of this turnover, with the other social enterprises being small, relying heavily on volunteer input.

There are opportunities and gaps in public service delivery which social enterprise is well-placed to address, if further support were available:

- employment-creating social enterprises aimed at disadvantaged people
- environmental management and recycling
- social enterprises aimed at young people
- social enterprises aimed at tackling health issues
- social enterprises aimed at tackling rural exclusion by developing access to services, especially where it may be uneconomic to provide these by other means
- social enterprises aimed at tourism development.

The interest of social enterprise/social economy organisations themselves in expansion is most clear in the following areas:

- Children and families support, including childcare
- Carers support
- Tackling healthcare and disability issues
- Adult education and leisure activity
- Arts, crafts and cultural activity
- Environmental education, improvement and recycling
- Supporting and assisting small community groups.

The survey identified interest in creating a social enterprise network, to provide peer support for existing and new social enterprises, and this initiative is likely to be taken forward.

Based on this survey and the views of social enterprises themselves, support organisations and stakeholders, the report makes a number of recommendations for ELSEP to consider in preparing their strategy and action plan, grouped under four main headings:

- Raising the profile of social enterprise and generating awareness of how it can contribute to the community of East Lothian
- Embedding an appreciation within public bodies of the opportunity that social enterprise can afford, with a view to developing market opportunities that social enterprise can address
- Creating a network of supports for existing and new organisations who want to expand their social enterprise activities
- Supporting growth in key strategic areas, such as recycling and asset development.

## 1. Background to the study

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### 1.1. East Lothian Local Social Economy Partnership

East Lothian Local Social Economy Partnership (ELSEP) was established very recently, to fulfil the requirements of Communities Scotland and the Futurebuilders Fund for local Social Economy Partnerships to be set up in each Local Authority area.

A survey report in 2003 did a postal mapping of the voluntary sector in East Lothian. This gave some indication of the activities, income and employment across the sector. It aimed to identify those organisations that charged a fee for their services and, therefore, had their own income stream outwith grant funding. The results seemed to suggest limited economic activity and, therefore, limited scope for social enterprise activity.

Several local voluntary organisations had shown some interest in becoming more self-sustaining where possible, which appeared to be a response to reduced availability of grant sources and an increased focus on outcomes and sustainability from funders. There appeared to be little interest however in the social enterprise model.

Since the publication of the Scottish Executive's Social Economy Review, and the establishment of a Social Economy Unit within Communities Scotland to take policy forward, the policy focus has sharpened, and interest in social enterprise is rising rapidly across Scotland.

There were 6 applications from East Lothian organisations to Communities Scotland for Futurebuilders money in the first round in 2005, two of which were successful, and this would suggest a growing interest in developing a business approach within the social economy sector in East Lothian.

The initial partners in ELSEP are:

- East Lothian Council
- Communities Scotland
- ELVON (East Lothian Voluntary Organisations Network)
- Scottish Enterprise Edinburgh and Lothians.

### 1.2. The remit of local Social Economy Partnerships

The Futurebuilders Scotland framework document 'Investing in the Social Economy' 2004 recommended that part of the support structure for the social

economy should be the formation of local Social Economy Partnerships in all Local Authority areas across Scotland.

The remit of the local SEP's was defined as:

- improving co-ordination across partners
- facilitating local networking
- strengthening the range of locally available support
- unlocking market opportunities for new and existing social economy organisations.

SEP's are to be developed within the Community Planning Partnership framework, and this has been the case in East Lothian. The reason for this is both strategic, and to ensure sustainability beyond the current projected lifespan of Futurebuilders (currently due to end in March 2007).

The key role of local SEPs is to support the development of a stronger social economy sector to deliver more public services in their area. The priority focus is on those social economy organisations seeking to generate income through trading or contracting for public services.

Communities Scotland recommended that initial work within local SEP's should include 3 elements:

1. Defining the Sector, through the mapping of local social economy organisations and the public services they can deliver, which is the focus of this report
2. Development of a Strategy or Action Plan, to outline the activities the partnership can develop to support the growth of the sector, to which this report will contribute. This Strategy might include actions to identify the potential of the sector to increase the share and quality of services on offer, promote procurement and other market opportunities, offer signposting to funding opportunities and support local networking.
3. Development of a Protocol, clarifying the roles of the existing support agencies and facilitating co-ordination between them, to which this report will contribute. The protocol would include national intermediary organisations in the delivery of local support services.

Communities Scotland recommended that all LESP's should aim to have an agreed strategy and protocol in place by March 2006.

### 1.3. Aims of the study

The first step for ELSEP under these guidelines was to re-map the sector in East Lothian, and identify interest in social enterprise and delivery of public

services, and contribute to the development of a strategy that ELSEP could take forward.

This mapping exercise was commissioned in mid-August 2005, and part-funded through the European Equal programme of the Social Economy Development Partnership in Scotland.

The remit was to:

- Identify existing social enterprises in East Lothian
- Identify possible social enterprises
- Identify local public services that would be of potential interest to social enterprises
- Make recommendations for local action.

The aim was to launch the work with an event following completion of the report.

## 2. Introduction to issues and the policy context

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### 2.1 Terms and definitions

There is confusion at present as to what is a social economy organisation, what is a social enterprise and where the boundaries lie between them. The recent commitment of the Scottish Executive to develop a social enterprise strategy separate from their social economy strategy may give this definitional issue a focus in future, but at present, and for the purposes of the East Lothian Local Social Economy Partnership, some discussion may be useful here.

The different approaches to defining social enterprise are described in Appendix 1.

Some definitions require that social enterprises aim to generate at least 50% of income through trading or contracting, but generally speaking this has yet to feature in Government policy.

The working definition of a social enterprise that has been used in this survey has been broad and inclusive. Organisations have been classed in the survey as social enterprises if they meet the following criteria:

- They are trading or generating own income, at whatever level that is
- Are independent of the state
- Have a clear social or environmental purpose
- Are non profit distributing
- Have voluntary management arrangements
- Have community or user participation.

Service Level Agreements have therefore been counted as income generation for the purposes of this survey.

### 2.2 The national context

Following the publication of the Social Economy Review by the Scottish Executive, the Regeneration Division of Communities Scotland was asked to establish the Social Economy Unit, to enact key aspects of the Review and develop learning that would in future inform the Executive's policy on the social economy sector.

Communities Scotland links the development of housing-led projects with the need to stimulate the economic and social regeneration of communities. It is the body responsible for ensuring that the social economy sector adopts a more business-like approach to providing services to the public, and that the sector

makes a contribution to meeting the Scottish Executive's overarching anti-poverty strategy 'Closing the Opportunity Gap' (CTOG).

The key objectives of CTOG are to:

- increase sustained employment for vulnerable and disadvantaged groups
- improve the confidence and skills of the most disadvantaged children and young people
- reduce financial exclusion and multiple debt
- regenerate the most disadvantaged neighbourhoods
- increase the health of people living in the most deprived communities
- improve access to high quality services for the most disadvantaged groups and individuals in rural communities.

The Social Economy Unit of Communities Scotland manages the Futurebuilders Scotland funding programme.

This is an investment programme to help social economy organisations that provide services to the public, and includes an investment fund, a seedcorn fund and a learning fund.

These funds are targeted at social economy organisations which have a track record in providing services to the public. The purpose is described as making one-off investments to enable organisations to both expand future service delivery and improve their financial sustainability.

As well as Futurebuilders Scotland the Unit also oversees the delivery of the Wider Role Programme, designed to help Housing Associations extend their involvement in projects that assist their local community. Increasingly, Wider Role funding is supporting social economy and social enterprise development in Scotland, and the fund can be used for a wide range of social purposes such as community well-being and training and employment projects, again, within the overall Closing the Opportunity Gap objectives.

In some areas, Housing Associations have come together to examine joint procurement initiatives, aimed at developing social enterprise activity through providing access to contracting opportunities. An example of this would be Fife HARCA, which involves five Fife-based Housing Associations, and which is currently examining the potential for supporting existing social enterprises or developing new ones, through procurement of goods or services.

### 2.3 Previous work on support needs and barriers to social enterprise

A number of studies have been undertaken within the sector to identify support needs and barriers, and provide new development paths for social enterprise organisations.<sup>1</sup>

Common support needs have been identified for new social economy organisations:

- Funding and finance
- Capacity building of management committees
- Business/organisational development issues
- Recruiting/managing employees and volunteers
- Expanding networking opportunities.

Common barriers have been identified as:

- Lack of co-ordinated support
- Low awareness of the potential of the sector
- Regulatory constraints
- Lack of suitable premises.

For established organisations, there are additional barriers arising from the sheer complexities of managing a social economy organisation, and in finding skilled managers.

For organisations in transition or growth, there are additional barriers arising from lack of funds for intensive support during development phase, the patchy provision of intensive support and a lack of strategic planning.

### 2.4 Lessons learned by the Social Enterprise Development Initiative

SEDI (now SEE, Social Enterprise Edinburgh) is a social enterprise intermediary support organisation, operating in Edinburgh as a partnership between Forth Sector, Communities Scotland, City of Edinburgh Council and Edinburgh Chamber of Commerce. In its first year report, SEDI stated it had worked with 42 organisations at various stages of development - awareness, preparation, formation, exploration and implementation of a business idea. Experience has shown SEDI that it can take organisations 2-3 years to progress through this process.

Some relevant early findings of the SEDI project which relate to the needs of social enterprises are summarised below:

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<sup>1</sup> E.g. C. Brady, 2003, 'Social enterprise development and the social economy in Scotland', Bridge to the Social Economy Project, S Durie 'Business support for social enterprise development in Edinburgh', 2001, Forth Sector for the Capital City Partnership and SEEL

- There is a requirement for more intensive support than is usually available from mainstream business advisors
- Support is needed to identify potential markets
- Support is required to help determine a sustainable approach to funding that takes into account development funding and running costs

Some of the barriers to a thriving social enterprise sector were also identified:

- Low level of preparedness within the social economy to develop social enterprise or engage in trading activity
- Lack of awareness of the term “social enterprise” within and outside the voluntary sector
- Patchy provision of support and restrictions due to lack of funding options.

## 2.5. Relationship with Community Planning

The East Lothian Community Plan states a number of objectives which can be potentially addressed through social enterprise activity:

- Increasing employment, education and employment opportunities, particularly for young people
- Increasing the numbers of adults volunteering
- Improving health and reducing health inequalities
- Increasing new business survival rates
- Protecting environmental quality
- Increasing biodiversity
- Improving waste management through reuse, reduction and recycling
- Raising environmental awareness.

There are examples in other parts of Scotland of social enterprises meeting the above objectives.

Social enterprise activity would represent a cross-cutting theme, with potential to contribute to all three strategic areas outlined in the Plan.

### 3. Methods

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Meeting the aims of this study involved a range of activities:

- Questionnaire survey of social economy organisations which might be involved in social enterprise in East Lothian
- Analysis of questionnaire responses
- Direct contact with actual or emerging social enterprises
- Contacts with national intermediary organisations
- Contacts with local support organisations and local stakeholders
- Focus group with social enterprises.

#### 3.1. Questionnaire survey of local social economy organisations

Given the short timescale for this work, a postal survey was likely to be unproductive. ELVON offered to circulate organisations on their database with a questionnaire which could be completed and emailed back to the researcher. The questionnaire is contained in Appendix 2.

The DTI guidance on mapping the social enterprise sector, produced by Ecotech in 2005, was used in designing the questionnaire, although it quickly became clear that their more rigorous approach to ‘testing’ what was a social enterprise would not be helpful in an East Lothian context, and the above mentioned criteria were adopted instead.

Between 80 and 90 organisations were emailed the questionnaire by ELVON, to those organisations on their database which were either known to be involved in some income generating activity, employed staff or could possibly fall into the definition. A covering letter explaining the aims of the survey was drawn up.

Most of the forms had to be completed on the phone with the researcher, or at project visits, as only a small number had been returned by email by the deadline of 26<sup>th</sup> September.

#### 3.2. Questionnaire responses

23 questionnaire forms were completed, although two of these questionnaires covered playgroups and After School Clubs, which represented 40 different organisations. A total of 60 organisations were therefore included in the survey.

Of the 23 questionnaires, all but two were from organisations who were either trading as social enterprises, were emerging social enterprises, or who had

Service Level Agreements in place. The exceptions were two groups who had plans but were at a very early stage in development.

Of the 60 organisations, 52 were generating some form of income themselves, 5 had a Service Level Agreement and 3 were generating income and had a Service Level Agreement in place as well.

The questionnaire responses were analysed by:

- Sector activity
- Turnover
- Number of employees
- Number of volunteers, excluding volunteer management committee members.

The postal survey in 2003 had a far higher response. One of the main reasons for this is probably the 'badging' of the survey as being about social enterprise.

A number of organisations who clearly met the criteria for a social enterprise did not think of themselves as such until they discussed the questionnaire with the researcher. One respondent for example, when answering the question 'What information would you like about social enterprise' answered 'What is a social enterprise?'

The low response rate is therefore most likely explained by a lack of awareness of the term, and is a significant finding in its own right.

### 3.3 Contacts

A number of other sources of information were used to seek out organisations which might be social enterprises:

- Internet searches through other East Lothian databases, and using key word searches
- Contact with individual officers in East Lothian Council and other support organisations
- Using the information from the 2003 survey to contact organisations who had expressed an interest in receiving business support
- Contact with social enterprise support organisations such as Senscot, Scotland unLtd, CELtd and SEDI, to find out if they had clients in East Lothian
- Contact with funders, such as the Coalfields Regeneration Trust, to see if applications had come forward for East Lothian that might involve social enterprise
- 'Snowballing', i.e. asking contacts to suggest other organisations that might be of interest.

Contact with these groups were established by telephone or email, and visits were arranged or there were telephone discussions.

At time of writing the report, potential social enterprises or ideas for social enterprise activity were still being discovered, and the survey therefore is unlikely to be a complete picture of the social enterprise sector in East Lothian.

The fragmented nature of information, the different sources of information that are available and an apparent lack of networking and personal contact between different sectors and organisations meant it was a time consuming exercise. These are all issues for ELSEP to consider further.

A number of respondents did not recognise the term 'social enterprise', but when it was explained to them, they realised their organisation fell within the scope of this sector.

The need to discuss the issue directly with organisations and individuals has allowed for more detailed information to be gathered on those organisations which are likely to be the 'core' of the sector at present.

#### 3.4. Focus group

A small focus group with 10 individuals representing 6 social enterprises, or planned or emerging social enterprises, was held on 25<sup>th</sup> October in Haddington.

## 4. Findings

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### 4.1. Numbers

Using the broad definition of a social enterprise, including SLA income generation, and not applying any criteria on the percentage of trading as a proportion of overall income, 81 social enterprises have been identified to date in East Lothian. A list is contained in Appendix 3.

40 of these are in the childcare sector: 19 playgroups and 21 After School Clubs.

The 41 others are in a wide range of sectors, with environmental/recycling, arts and crafts, community and social care and property rental being the main ones.

21 organisations are generating income through trading, while 20 organisations are estimated to be partly supported through SLA's, providing social care and health care services. This total includes 10 day centres and NHS funded SLA's. Most of the organisations with SLA's do not consider themselves to be trading, although some are interested in becoming more entrepreneurial.

If one applied the criteria that 50% of income at least had to be self-generated, then that is likely to reduce the total number of social enterprises to around 30.

Another 10 emerging social enterprises have been identified, who have clear aims to trade, or seek service level agreements, but who are at the development stage.

There are another 19 organisations which may possibly be, or become, social enterprises, but where it is not clear if they fall within the definition or not, and their status could not be verified by the time of the report completion.

In addition, there are significant groupings of organisations that ELSEP should take a view on whether they fall within the scope of future work and would be able to access any future support:

- Museums and visitor attractions
- Village halls
- Charity shops
- Clubs and Associations established for recreational purposes, but which may also have social aims.

Some museums and visitor attractions are owned and run by statutory bodies, which would exclude them from the working definition. The North Berwick Seabird Centre for example however, is a charity and non profit distributing, and technically would qualify, with its social aims of education and awareness raising to the general public, and promoting East Lothian.

With a broad definition as described above, village halls and charity shops would fall within the scope of the definition. Many charity shops however are managed by national organisations, and it is open to question as to whether they are fulfilling a social purpose in East Lothian with the community gaining a benefit from their operation, except through provision of volunteering opportunities.

With clubs and associations, the arguments may revolve around the extent of the wider social and community benefit rather than benefit for members, and whether the social inclusion aims implicit in the social enterprise model are present.

Day centres, although they have been included in the above count of social enterprises, is also one category which may be doubtful, where the question might be one of ownership and entrepreneurial approach.

There would appear to be no easy answers to these issues at present.

Given the current policy context set by the Scottish Executive, the 'acid test' is suggested to be whether these organisations have the potential to contribute to public service delivery, and whether they meet the priorities for service development that are contained within the Community Planning framework.

Day centres would therefore qualify, village halls would probably qualify, but the other categories may not.

#### **Main points**

A broad and inclusive definition of social enterprise is suggested in East Lothian  
 81 social enterprises were identified  
 Half of all social enterprises are in the childcare sector  
 75% are trading, 25% are involved in Service Level Agreements

#### **Action points**

ELSEP to agree its own definition of a social enterprise in East Lothian  
 Amend the local database of social enterprises accordingly  
 Be prepared to review the definition when the Scottish Executive publishes its strategy for social enterprise next year

#### 4.2. Size, turnover and employment

This analysis could only be undertaken on the 23 questionnaire responses, and therefore will be a significant underestimate of the economic value of the sector. 6 of the identified social enterprises and 15 organisations with SLA's did not return questionnaires and their figures are therefore not included in this analysis.

Many of the figures were estimated rather than based on actual accounts, so should be viewed with caution, however they do give an overall perspective on the size of the sector at present.

The combined turnover of the 23 organisations was estimated at £3,021,000. Some £750,000 of this was represented by just two organisations, and another estimated £450,000 was represented by the childcare sector alone.

Overall, 49% of this turnover was represented by trading, 17% by SLA contracts and 34% by grant funding. Again, this is slightly misleading, due to the impact of the two large social enterprises and the childcare sector.

Of the estimated £1.47 million being self-generated annually by trading social enterprises, only around £270,000 is being generated by the 14 smaller ones.

Some of the trading social enterprises are generating 90 - 100% of their own income. Others generate as low as 5% at present.

The childcare sector however appears generally above the 50% criteria that is recommended by the Scottish Social Enterprise Coalition and the DTI Social Enterprise Strategy, although there are financial and sustainability issues for many of the groups.

The number of employees involved in the sector is also correspondingly low, except in the childcare sector and the two larger social enterprises.

Total number of employees was 233, with a further 253 estimated regular volunteers involved in delivery. If one takes out the childcare and two large social enterprises, then employee numbers are 81, but they account for 168 of the volunteers.

This suggests that many of the smaller social enterprises are relying on volunteer input to sustain themselves, and this was borne out by the questionnaire responses. One of the features of East Lothian's social enterprise sector therefore appears to be the high level of dependence on volunteers, both on management committees, and in project delivery. This was reported to be a weakness of many organisations, where lack of volunteers was hampering development.

The conclusion is of a moderate sector as yet, with a focus on childcare, with a relatively low economic contribution at present, except for some particular social enterprises which have been based specifically on the social enterprise model from the outset. In East Lothian terms however, the sector is a significant employer and provider of volunteering opportunities.

These figures appear roughly comparable with estimates of the size of the social enterprise sector in Scotland. Sencot estimate 4,000 social enterprises generating £1 billion in turnover, and on a pro rata basis per head of population, this would suggest East Lothian's share would be 70 social enterprises with a £1.7 million turnover.

#### **Main points**

The contribution of social enterprise organisations to East Lothian's economy is at least £1.5 million in self-generated income

49% of total organisational turnover is generated by trading or SLA activity

The sector employs over 230 employees and has 250 volunteers

Most of the trading income is being generated by the childcare sector and a small handful of larger social enterprises

Most of the other social enterprises are generating income at a very low level

#### 4.3. Social benefit and impact

The social and environmental aims being met are wide ranging.

A number involve opening up access to recreational, educational and social activities for the general community, e.g. arts, culture, dance, music and access to premises for community groups, and therefore may be better expressed as contributing to public service development rather than targeted on reducing disadvantage and the alleviation of poverty, although in the majority of cases, the organisations have gained charitable status.

There are no examples where entrepreneurial activity is aimed at sustaining employment opportunities, although there are a number of initiatives emerging which aim to do this in future.

There are however a number which offer services to vulnerable and disadvantaged groups, such as children and families living on low incomes, carers and people with disabilities. These health and social care services are more likely to be funded through Service Level Agreements, and to be based in the west of the county, although some do offer an East Lothian-wide service.

Childcare is the only sector which has coverage across the county, with most others being located between Musselburgh and Haddington, with very few

based east of Haddington. This may reflect issues around funding for areas not recognised as being disadvantaged, although there appears to be only four social enterprises in the Tranent SIP area, three of which are childcare ones.

There are some national social economy organisations which operate in East Lothian, or have secured additional funding to operate in the area, and there may be an issue about local contact with such organisations, and ensuring that benefits remain in the area.

As with much activity in the social economy sector, monitoring information is collected, but evaluation of impact is generally not attempted. Given the wide ranging nature of the social, community and environmental benefits being generated at present, ELSEP might want to consider how in future it can determine what impact it is having.

#### **Main points**

The social aims being met are wide ranging

There are clusters around childcare, health and social care, arts and culture

More social enterprises are aimed at public and community services and are less focussed on tackling poverty and disadvantage

#### **Action points**

Include in the strategy an objective to evaluate the impact of ELSEP in future

Consider more targeted support for employability initiatives which may have social enterprise potential

#### 4.4. Future opportunities

The priority action areas highlighted within the Closing the Opportunity Gap and the Social Economy Unit strategies were compared with the existing organisations operating in East Lothian. In addition, the national funding opportunities on which future growth might be based were assessed.

The main gaps, or opportunities for future development, appear to be:

- employment-creating social enterprises aimed at disadvantaged people
- environmental management and recycling
- social enterprises aimed at young people
- social enterprises aimed at tackling health issues
- social enterprises aimed at tackling rural exclusion by developing access to services, especially where it may be uneconomic to provide these by other means

- social enterprises aimed at tourism development.

All of these relate to the main objectives in the East Lothian Community Plan, and in some cases, there are Scottish Executive and Big Lottery funding initiatives which could provide opportunities to fund growth and development. With the planned re-launch of Big Lottery funding programmes in early December 2005, there may be scope for funding support through this source. Their manifesto for Scotland is available at:

[www.biglotteryfund.org.uk/assets/pub\\_manifesto\\_scot.pdf](http://www.biglotteryfund.org.uk/assets/pub_manifesto_scot.pdf)

There are also a number of other funding sources, through Futurebuilders, grant-making Trusts and environmental funding e.g. the Increase programme, which could be publicised and applied more widely. East Lothian Council's external funding officer already links groups with funding opportunities, but the link with social enterprise development could be made and promoted separately.

#### **Main points**

A number of gaps were identified in the type of services provided through social enterprises which are priorities for the East Lothian Community Plan. There are sources of external funding which could support development of new social enterprises to fill these gaps.

#### **Action points**

ELSEP to engage organisations in discussions about supporting more social enterprise activity aimed at employability development  
 The NHS to be approached for more support in developing social enterprises aimed at tackling health issues  
 Invite young people to engage in a dialogue over social enterprises aimed at their interests and aspirations

#### 4.5. Public services of interest to the sector

Very few respondents identified themselves as being interested in supplying further goods and services to public bodies, however it is likely that this is the result of lack of awareness of social enterprise, and the issues and language involved.

When the questions were asked differently (e.g. do you want to expand, and how do you see this happening), there was more interest expressed in developing closer relationships with public bodies, and seeking to develop services.

Most wanted to expand in the same field of operation, and therefore the greatest interest from the sector is in:

- Children and families support, including childcare
- Carers support
- Tackling healthcare issues
- Adult education and leisure activity
- Arts, crafts and cultural activity
- Environmental education and improvement
- Recycling and re-use of materials
- Supporting and assisting small community groups.

**Main points**

There is a desire from local organisations to expand their service provision  
This is not seen as a procurement issue rather a funding one

## 5. Views of social enterprises and social economy organisations

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The research previously conducted on issues around developing social enterprise from within the social economy sector, reported in section 2.3 above, appear to have been broadly replicated in this study.

### 5.1. Overall attitudes towards enterprise as an income stream

It has to be assumed that those social economy organisations who did not respond may not be interested in social enterprise, and certainly not at this point in time. There is no suggestion from this work that most of the voluntary organisations sector in East Lothian see social enterprise as a way of achieving future sustainability, and reducing dependence on grant funding.

There is a suggestion from responses that many organisations would resist attempts to introduce social enterprise, and would not welcome a ‘sales pitch’ that focussed on social enterprise as an alternative to grant funding.

It is possible that the difficulty of raising funds for work in East Lothian where disadvantaged status does not apply, and the overall competitiveness for grant funding, means that groups are more focussed on keeping what they have, but there is certainly no universal wave of opinion in favour of social enterprise activity as an income stream or as a method of long-term sustainability. When asked what organisations would do when current grant funding ran out, they were almost universally likely to say they would continue to seek sources of grant funding.

This is consistent with findings in other areas where limited work has been done on social enterprise awareness or development. Consequently there will be no real benefit for ELSEP at present in trying to convert local voluntary organisations into social enterprises unless they wish to do so.

Some comments were made during discussions about the need to clarify the objectives of the ELSEP in undertaking this work, and to give assurances that this work is not merely a way of reducing future grant contributions from statutory bodies. Although the origins were briefly explained, some organisations would welcome a clear statement on this issue, as well as a commitment from ELSEP that their interest in and support for social enterprise will be sustained.

**Main points**

The overall voluntary sector in East Lothian is wary of social enterprise as an exit strategy from grant funding

**Action points**

ELSEP should make a clear public commitment to long-term support for social enterprise, and that this agenda is not a way of cutting grant funding

## 5.2. The sustainability driver

Having said the above, there were a number of organisations who saw things differently, and had themselves been concerned with sustainability issues, and wondering if income generation might be possible for their organisation, or have started to make moves in this direction. One of the barriers however has been the desire to keep services free at the point of delivery, which has been a traditional voluntary sector value.

The main driver has been the attitudes of funding bodies, who themselves are starting to ask for exit strategies after funding periods which demonstrate sustainability, including the prospect of self-generated income.

Those organisations which have gone down this route have generally done it through entrepreneurialism (spotting a new opportunity, or as the only way of expanding a service), the negotiation of an SLA, the possibility of gaining grant funding in a new area (e.g. for recycling) or as an appropriate way of filling a gap in services (e.g. developing a community café as a social venue for clients).

The majority of organisations surveyed said they wanted their organisations to grow in future, and it is in relation to growth that some have started to look at social enterprise, or a more business-led approach, as a possible way of achieving this sustainably.

There is now more understanding of the social enterprise development cycle, and therefore identification of the critical stages that organisations are likely to go through in moving towards social enterprise, and where interventions might be applied. The stages have been characterised as:

1. motivation
2. preparation
3. idea evaluation
4. testing the idea
5. exploration

6. business planning

7. start-up.

It would appear that the majority of organisations who might potentially be interested in the social enterprise model are at stage 1 or 2.

Sustainability would appear to be a medium to long-term driver, not an immediate one. Thus awareness raising activity now is likely to prompt some organisations to consider social enterprise in future.

**Main points**

Some organisations in East Lothian are considering social enterprise as a possible exit strategy

They are at a very early stage of development

**Action points**

Awareness raising about social enterprise should be undertaken by ELSEP

A route for voluntary organisations which want to investigate social enterprise further should be mapped out by ELSEP

5.3. Support issues

In the past, organisations have in general had a positive experience when they have approached statutory bodies for support. Some organisations have used external funding and business support services in the Council and found them helpful. Other organisations have been in contact with support agencies such as ELVON looking for advice and assistance.

There appears however to be a range of needs or barriers that may prevent organisations making any further progress with social enterprise after these initial enquiries, and not all needs are funding or business-related.

The organisations which could be receptive to social enterprise, or who are already engaged in social enterprise activity, appear to have a range of support or development needs to be met before they could realise their potential.

Each organisation has its own needs, only some of which are funding-related, and it could be demanding to design a programme that would meet all these needs. Expressed needs vary from a need for more marketing advice, to networking support, to admin support, to a new staff member to support the management of the organisation while the leader does development work.

While there is no common pattern, most of the expressed needs for support fell into a broad category of ‘project development support’.

For existing organisations, the main issue seems to be ‘how do we get from where we are to where would like to be while maintaining what we already have’. Small businesses face a similar dilemma, where there is tension between managing existing operations and finding the time and resources to develop new initiatives.

Thus, for those organisations which are either thinking about social enterprise or are developing it, the key need is for a dedicated support structure that is capable of responding to a range of individual needs.

This would indicate the need for a dedicated support person, effective signposting between agencies and access to specific funding for social enterprise development.

Premises, particularly but not exclusively in the Musselburgh area, were cited as a barrier to growth by a number of respondents. On the other hand, there are a cluster of property-based organisations already operating in the social enterprise field, and there would appear to be some opportunities to investigate a future strategy based on asset development as a separate strand of work for ELSEP and its partners.

#### **Main points**

There were a wide range of support needs reported during the study if more social enterprise activity is to be developed  
 While each organisation needs something different, most needs fell within the category of project development support  
 Access to suitable premises is a barrier to growth

#### **Action points**

ELSEP should provide dedicated project development input for organisations who are seriously considering social enterprise  
 ELSEP should publicise the Futurebuilders Learning Fund  
 An effective signposting service needs to be in place for organisations to get the advice they need from the agency best placed to provide it  
 There is a need for financial assistance for the business planning stages of social enterprise development

#### 5.4. Information and peer support

Respondants were generally interested in receiving more information about social enterprise. The idea of an event was welcomed. One such event has been held in the past, with a relatively low level of interest, and therefore some imaginative thinking around marketing and promotion of an event, how it is described and what the programme will be, would be necessary. Any showcasing would need to be on small projects, so that groups did not come away thinking ‘that’s all very well, but it won’t work here’.

It is recommended that Communities Scotland have space in the programme to explain the Futurebuilders fund, and their overall policy role in supporting this agenda, as this does not appear to be clear at grassroots level.

21 of the questionnaire respondents stated an interest in a social enterprise network, although for some, it would be conditional on knowing that it would be relevant.

Senscot have a remit from Communities Scotland to facilitate peer support networks, and they are willing to do this in East Lothian if there are a minimum of 10 members willing to become involved. Fly Right Dance Company have expressed a willingness to be proactive in helping other organisations, and this study has identified the minimum number of people necessary to start such a network.

The aim is for these networks to function independently from Social Economy Partnerships, where active social enterprises or aspiring social enterprises engage in networking or mutual trading and support for their own purposes, but feed into the SEP with issues and suggestions.

Networks that have been established in other parts of Scotland have acted as a focus point to draw in other organisations, and as a catalyst for new ideas. Senscot also has thematic networks, such as a Cultural network, which can provide local organisations with targeted support.

At the focus group meeting held on 25<sup>th</sup> October, the groups present discussed the idea of such a network. They were unanimously in favour of this, and agreed to contact Senscot with a view to holding a further meeting in December.

#### **Main points**

There was interest in a social enterprise event

There was interest in setting up a social enterprise network, facilitated by Senscot, to provide peer support

**Action points**

ELSEP organise an event which captures the imagination of local organisations and gives information about social enterprise

ELSEP support the formation of an independent network of East Lothian social enterprises, and includes this group in its strategy planning

## 5.5 Individuals

There may also be value in running an event, or a programme of activity, aimed at individuals. The proposition was put to a number of interviewees that there are business people, retired senior managers and others who live in East Lothian who might be interested in social enterprise activity. This proposition was agreed with, but there may be many reasons why these potential ‘catalyst entrepreneurs’ are not engaged at present. Some are involved in community activity at present, but there may be more people who might want to become involved. This will be explored further with the business community, as these individuals are more likely to be contactable through business routes.

Scotland unLtd however may be interested to have a higher profile in East Lothian, and organise an event. They have supported over 200 social entrepreneurs in Scotland to date with small development grants, but only two of these have been awarded in East Lothian.

**Main points**

Indications are that there are individuals in East Lothian who have business skills, who could be engaged with social enterprise

**Action points**

ELSEP to promote the Scotland unLtd awards scheme within East Lothian

## 5.6. Service Level Agreements

The questionnaire responses suggested relatively low interest as yet from organisations in expanding the level of contracting to provide public services however 36% of the social enterprises identified during the study were involved in SLA’s, and therefore this is a significant issue for ELSEP.

The relatively low interest appears to be a result of lack of information and awareness, and limited routes to access decision-makers. Some organisations also have development issues e.g. how to fund staffing to develop this potential or put a business focus in place within the organisation.

Some organisations did express interest, mainly those operating in the social care and healthcare sectors where most SLA's are currently held, and some are actively involved in negotiations at present.

The Council's requirements of an organisation seeking an SLA is a constitution, audited accounts, a business plan where possible and evidence of a business focus in place within the organisation. Thus any development or training activity aimed at improving the business skills of organisations could contribute to development of more SLA's and increase the size of the sector.

Those organisations which had negotiated SLA's were generally happy with them, and had benefited from more perceived security, although the issue of Full Cost Recovery was mentioned as a problem. This has been a national issue, whereby the Scottish Executive has committed itself to allowing full cost recovery in the negotiation of public contracts with the social economy.

There does however appear to be potential in future to increase the size of the social enterprise sector through meeting the needs of public bodies and increasing the level of SLA's. The national policy agenda is moving towards more social economy involvement in providing services, de-centralisation of service provision and the empowerment of local communities within this process.

ELSEP could therefore play a part in helping organisations prepare the ground for an increase in SLA's, through increasing their business orientation and improving practical development and financial skills. It is recommended that the NHS locally is involved in ELSEP for this purpose.

As with SLA's, there was very limited awareness of the opportunity that providing goods and services to public bodies other than SLA's might offer in developing social enterprise. No organisation indicated an interest in procurement activity.

**Main points**

Interest in Service Level Agreements was low, but appears to be due to lack of information and access to decision-makers  
There is a role for ELSEP in preparing social economy organisations to negotiate SLA's  
There is little awareness of procurement contracting as a potential economic activity for social enterprise

**Action points**

ELSEP to engage with East Lothian Council and the NHS to identify potential for extending or creating new SLA's

ELSEP to develop a support programme for organisations who could negotiate SLA's

East Lothian Council and the NHS to take a position on Full Cost Recovery and profit retention

### 5.7. Focus group discussion

The participants were all actively involved, or planning to be involved, in social enterprise activity.

For the participants, this was the first time they had met each other, and discussed common issues. Two organisations at the end of the focus group began to talk about cooperating on an activity, which in itself illustrates the value of a social enterprise network.

Issues raised included:

- There is a lack of networking across all organisations, with the lack of support for local networking arising from limited resourcing
- Networking needs to be accessible to all organisations
- Coordination between organisations in the same sector is limited, which can on occasions be unhelpful
- There is a need for an event which clarifies terms such as 'trading', 'profit' etc.
- Some organisations find it very difficult to create effective dialogues with statutory bodies and some need support to know how to gain access in the first place
- The employment-creating potential of the social economy/social enterprise sector is not recognised by statutory bodies
- The strategic nature and potential dynamism of the sector is not recognised and sufficiently supported.

The areas for improvement and support were identified as:

- A one-stop shop approach to development activity
- A positive relationship with the East Lothian business community

- A dedicated social enterprise development worker, with practical project development skills, working on behalf of all social enterprises
- A signposting service, which would save organisations time and reduce isolation
- A need to know what the market was doing and what opportunities there were, which can be time-consuming for one individual organisation to investigate.

The group would like to see ELSEP extend its membership to cover East Lothian health services, the business community and business education organisations, for example any business school education department based in the forthcoming QMCU campus.

It was the unanimous view of the participants that their preferred option would be to create an independent social enterprise network organisation, and collectively fundraise for and employ a social enterprise development worker themselves.

They were highly positive about this and agreed to involve more organisations in an initial meeting to discuss it further. They recognised that they would work within the ELSEP strategy, and could have Council or other representation from ELSEP on the Board of a new organisation, but they saw enormous benefit for themselves and the community life of East Lothian in taking this initiative forward.

Such a positive development would need support from ELSEP and the partners. The exact details of how this proposal would fit into ELSEP's strategy could be addressed through the discussions and finalisation of the strategy, and the associated protocol.

**Main points**

Active social enterprises feel unsupported and unrecognised at present  
There is a need for networking, information, market intelligence and a dialogue with public bodies  
Areas for support are project development assistance, signposting and coordination  
The idea of forming a social enterprise network was supported

**Action points**

ELSEP to support the formation of a social enterprise network  
The ELSEP strategy to recognise the network and involve it in discussions

## 6. Views of support organisations and other stakeholders or organisations

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### 6.1. Social enterprise support agencies

There have been some approaches to social enterprise support agencies from East Lothian, but not many.

SEDI's business planning and support programme has been used by only one East Lothian organisation to date. SEDI's funding does not currently allow it to operate in East Lothian, and although they could provide a service in East Lothian they would need dedicated funding to do so.

Community Enterprise Ltd have provided more services in East Lothian and have been involved in supporting about 6 local organisations. In terms of their funding, they can offer 87 hours support in East Lothian, which probably equates to 3 or 4 organisations that can be helped each year.

As well as providing development officer time, they also manage two sources of funds for social enterprise development. The SEED loan fund is available in East Lothian. It offers unsecured loans of around 2-4% over base, with no upper limit. One East Lothian organisation to date has enquired about the SEED loan fund.

The Edinburgh Fund, for feasibility studies and business planning, is only available in Edinburgh. ELSEP could consider contributing or finding funding to extend this, dedicated to supporting activity in East Lothian. The maximum grant is £5,000, and fundraising of £25,000 per annum would allow a minimum of 5 organisations to access support to develop business plans, which would probably be an appropriate level to aim for at present until the level of demand is established. ELSEP could have a role in putting forward local applicants to CEL, having first agreed that their plans are appropriate and viable.

The role of Senscot in promoting a peer support network has already been referred to.

Scotland unLtd would welcome more applicants for Level One awards from East Lothian. Scotland unLtd resources individual social entrepreneurs through this small grants programme, with awards of up to £5,000 per individual. The organisation also provides development advice, training and access to networking for individuals as well as the funding, and it can be an important personal development tool.

Awards are made to individuals who demonstrate entrepreneurial solutions to social problems and who would benefit personally from the award. Awards are particularly focused on individuals who have experienced disadvantage themselves, who are young, and who are potential leaders in disadvantaged communities.

#### **Main points**

There are intermediaries for social enterprise development who can assist in East Lothian, but local organisations are generally unaware of them  
The support time and funding however for these organisations to expand their work in East Lothian is limited at present

#### **Action points**

ELSEP to consider establishing a separate fund for East Lothian organisations to fund feasibility studies and business planning  
ELSEP to include intermediaries in its discussion on the strategy and action plan

## 6.2. Local support organisations

ELVON have had a number of approaches from local organisations who are concerned at being unable to secure grant funding due to lack of sustainability outcomes, but who simply do not know how to start down this road, and therefore do not make progress.

Other organisations have a concern that more income generation will lead to grant reductions, and this fear prevents them taking the first step. Some realise that embarking on income generation would lead to structural change within the organisation and they back off from this.

ELVON's advice has been to not panic, but examine their operation as to where they could be generating some income. ELVON is not resourced to provide in-depth support to individual organisations who cannot undertake this function themselves, which represents a current gap in support services, at that very crucial early stage.

While ELVON would also promote a consortium approach to these issues, the competitive nature of grant funding tends to act against cooperation.

ELVON itself is also a social enterprise, through providing its furniture recycling service, and has plans to expand recycling activity in future. It also supports Roots and Fruits, another small social enterprise.

Given the importance of volunteering highlighted in the sector, Volunteer Development East Lothian were approached as part of the study. They are interested in supporting social enterprise development.

For VDEL however, there is a dilemma and a tension about generating income with volunteer input. They also see a general need to develop entrepreneurial approaches amongst staff groups, share practice and support growth across the sector through an enterprising approach. They also have the remit to develop volunteer training, and this function may become important for social enterprises going forward.

There are also other local networks which have some overlap with issues of social enterprise development, and who should be made familiar with ELSEP's plans, and be involved in further consultation as the strategy is drawn up.

The childcare sector is supported through the East Lothian Childcare Partnership by East Lothian Out of School Care Network. ELOSCN and the ELCP have a remit to support the quality of childcare and extend provision, but have had limited involvement in volunteer management committee development.

The East Lothian Learning Partnership has recently completed a mapping exercise on employability projects, and their results and plans should be discussed in the context of social enterprise support and development.

During the study, a suggestion was made that the work of ELSEP should come within the umbrella of the EL Learning Partnership. Given the gap in social enterprises aimed locally at supporting employability, this might seem like a sensible suggestion. Supporting social enterprise however requires a more narrow focus on business activity, and is a specialist form of support, and it may dilute the impact of ELSEP if it had to engage with a wider range of issues.

**Main points**

Local support organisations are limited in the assistance they can give to organisations due to resources

This will be problematic in working with organisations at the very early stage

There are other local networks whose work touches on social enterprise

A key strategic contact is ELLP's employability forum

**Action points**

ELSEP to resource the provision of early stage advice and training on social enterprise

ELVON and VDEL to be involved in these discussions

ELSEP to create formal links with the Employability Forum of the East Lothian Learning Partnership

ELSEP to discuss support for childcare initiatives with EL Childcare Partnership and ELOSCN

**6.3. Wider Role**

There is no activity in East Lothian at present being managed or developed through Wider Role funding. By contrast, in other areas of Scotland, the Wider Role funding of Communities Scotland, which can be accessed by Registered Social Landlords, is being used extensively to stimulate social enterprises and kickstart social economic activity.

The aim of the Wider Role fund is to help RSL's to improve the economic, social and environmental circumstances of the communities they provide for. The Wider Role project should contribute towards the Scottish Executive's priorities under 'Closing the Opportunity Gap', and therefore Wider Role funding is particularly appropriate in supporting employment creating social enterprises, or ones which aim to promote employability.

Wider Role funds have been used for a wide range of purposes. They have supported the employment of business development officers, funded revenue costs, or been used to fund the capital start up costs of new social enterprises. For example, Wider Role funding helped set up a new horticultural nursery in Aberdeenshire, operated as a social firm by mental health service users.

All funds have to be applied for by Housing Association, but the grant can be used by a community-based organisation.

Levels of Wider Role funding can be significant. ELSEP is recommended to investigate how this funding support might be accessed in East Lothian, as a matter of priority.

**Main points**

East Lothian is missing out on a source of funding for community economic activity by having no Wider Role funding in place

This could be a significant source of investment in social enterprise, particularly for employment creation

**Action point**

ELSEP to discuss with RSL's with East Lothian stock their willingness to support Wider Role applications from the sector

Communities Scotland to circulate their Wider Role guidance to ELSEP

ELSEP to promote Wider Role funding to the sector

**6.4. Health**

The Public Health Department and Health Promotions are involved in funding a number of East Lothian organisations through SLA's. They are in the process of establishing new initiatives with partners, and looking to develop more SLA's, especially in the areas of mental health and physical activity, but there are also sub-groups working on other issues such as drug misuse, family support and sexual health.

The NHS will either invite bids for strategic work or projects, and do get approaches from local organisations wanting to mainstream their service with health funding. In addition, clinicians can secure departmental funding support to set up new services, but these tend to be very clinically-based, and may not be relevant to the existing organisations. Other procurement activity tends to be managed centrally, and might be difficult for social enterprise to access.

East Lothian Healthcare Cooperative has recently appointed a new manager, with a track record in community involvement in planning new services.

Thus there is potential scope to develop more social enterprise activity in the health sector, and it is recommended that ELSEP invite an appropriate representative to join the partnership.

**Main points**

Health services already support a number of Service Level Agreement social enterprises

They are interested in supporting more in their areas of strategic interest

**Action points**

ELSEP to invite a member from Lothian Health and from the East Lothian Healthcare Co-operative onto the partnership

### 6.5. SEEL, Economic Development and the Business Gateway

Given the size of the sector as identified in this study, there may be more scope for involvement of the mainstream business services in supporting growth in the sector than previously thought, and there is an expressed need from the sector for access to business expertise.

ELC's Economic Development department, who operate the Business Gateway in East Lothian, have given advice and support to social enterprises. All their services are open to social enterprises as well as mainstream businesses, including access to the £1000 grants for small businesses in the Leader + areas, and access to East Lothian Investments Ltd unsecured interest-free loans. Demonstrating viability would be a key criterion in accessing this source of loan finance. There is no restriction on the number of hours that department staff can spend with a client.

'Viability' would be defined in this context as self-financing within 2 to 3 years, which would be too demanding for most organisations.

Two years ago, they ran business planning and fundraising sessions for social enterprises with follow up diagnostic sessions. Business networking for new businesses and training would be open to social enterprise. The department also published a business magazine, read by a lot of local business people, and an article on social enterprise could be written for this publication.

#### **Main points**

There is a demand for business advice amongst the sector  
 East Lothian Council's business advisory and training service is open to social enterprise  
 Their service is not time-limited  
 Most organisations however would not be seen as viable in order to access loan finance

#### **Action points**

ELSEP to promote ELC's business services, business networking opportunities and training courses to the sector

### 6.6. The private sector

The private sector could see social enterprise as a welcome addition to the business community or unfair competition and a source of potential displacement. If more social enterprises became involved in business networks,

then a greater understanding would arise, and any concerns could be dealt with.

Like many other organisations consulted during this study, East Lothian Business Association knew very little about social enterprise, but were interested to find out more and potentially support it. They saw there could be some mutual advantages, by developing business opportunities to serve the social enterprise sector and by providing access to practical business expertise.

#### **Main points**

Businesses in East Lothian know very little about social enterprise  
Their Association is predisposed to be supportive

#### **Action points**

ELSEP to invite a representative of East Lothian Business Association onto the partnership  
ELSEP to ensure information and articles on social enterprise are aimed at private sector business

### 6.7. Procurement

Procurement was one topic that was only partially addressed during the study due to time constraints, and is an area for future work by ELSEP.

Procurement within the NHS was touched upon in section 6.4 above. East Lothian Council has recently changed procurement guidelines to include Fairtrade goods, but as yet, has not considered social enterprise as a source of Best Value in contracting. The department has recently received information from the Scottish Executive on social enterprise and procurement.

This national work on access to procurement procedures by social enterprise has also led to a handbook *Tendering for Public Sector Contracts*. This can be accessed at [www.socialeconomyscotland.info](http://www.socialeconomyscotland.info).

Further work at national level has identified the possibility that public bodies could develop pilot projects with the social enterprise sector to provide goods and services, without the need to put them out to competitive tender, if contacts have not been drawn up in the past. This allows a public body to test out the parameters of a contract before putting it out to tender. Some social enterprises elsewhere are in the process of testing out this proposition with Local Authorities.

The market demand for access to procurement contracts has not been established however as yet, except in the context of Service Level Agreements, where there is interest in developing capacity to deliver public services especially in social and health care, environmental and recycling activity.

Lack of awareness of the potential in procurement however may be inhibiting organisations from thinking in these terms.

Awareness raising activity on social enterprise is likely however to lead to an increased demand in future.

#### **Main points**

The study did not suggest a market demand for involvement in procurement from the sector, except in relation to Service Level Agreements  
National guidance is now available on social enterprise and access to procurement contracts  
Awareness of the issue is very low

#### **Action points**

ELSEP to include a more detailed investigation of procurement opportunities in its strategy  
ELSEP to read the national handbook on procurement for its relevance in East Lothian  
ELC to develop an officer's awareness raising initiative on procurement and social enterprise

### 6.8. Experience and development in Midlothian

East Lothian and Midlothian cooperate in a number of functional areas, and the study has included a review of Midlothian's progress.

The local SEP is SEAM, Social Enterprise Alliance Midlothian. The current partners are:

- Midlothian Council Regeneration Development Team
- Midlothian Voluntary Action
- Melville Housing
- Scottish Business in the Community
- Communities Scotland
- Midlothian Chamber of Commerce and Enterprise
- Scottish Enterprise Edinburgh and Lothian
- Midlothian Advice and Resource Centre

- McSence
- Community Enterprise Ltd
- Loanhead Miners' Welfare Charitable Society.

A similar mapping exercise to this one is currently underway but is not yet finished. The feedback is that having launched the strategy document and raised awareness, they have had a lot of enquiries and 'almost more demand than [we] can handle'.

Prior to the mapping exercise, Midlothian Social Inclusion Partnership and SEAM produced a strategy document, launched in June 2005.

They have also begun organising activities aimed at their main objective of co-ordinating the skills, resources and expertise of existing agencies in order to form an effective support infrastructure for new and developing social economy organisations.

There is a website ([www.seamidlothian.co.uk](http://www.seamidlothian.co.uk)) containing basic information and issues organisations need to consider. They plan to develop events, training and conferences, an inter-agency referral system, business and organisational support (e.g. with business planning). The main support providers are MVA, Midlothian Council and Midlothian Chamber of Commerce.

SEAM would welcome representatives of ELSEP to share of experience and ideas and discuss possible collaborative working in some areas.

**Action points**

ELSEP to organise a joint meeting with SEAM to discuss areas of collaboration and share good practice

## 7. Towards a strategy and action plan

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One aim of this work was to give some recommendations to ELSEP as to how the findings could be taken forward. Action points have been included in the discussion above, but the aim is to put these into a framework that ELSEP can use in developing its strategy.

A number of practical recommendations seem indicated by the findings, which can be grouped under four headings which might prove useful when developing the strategy:

- 1) Raise the profile of social enterprise and generate awareness of how it can contribute to the community of East Lothian
- 2) Embed an appreciation within public bodies of the opportunity that social enterprise can afford, with a view to developing market opportunities that social enterprise can address
- 3) Create a network of supports for existing and new organisations who want to expand their social enterprise activities
- 4) Support growth in key strategic areas.

### ***7.1. Raise the profile of social enterprise and generate awareness of how it can contribute to the community of East Lothian***

There is considerable confusion on the terminology and the concept, and it is necessary to explain this to a wider audience. Recommendations are:

- a) **Expand the membership of ELSEP** to include East Lothian Business Association and the NHS as a first step.
- b) **Organise a launch event**, with the aim of defining what social enterprise means, what ELSEP's aims are, and making a commitment to sustain this agenda in future.
- c) **Support a new website development**, with links to information, web-based resources, other social enterprise support agencies, and including publicising East Lothian social enterprises. Such a website would also be important in signposting organisations to the right agency.
- d) **Promote social enterprise to the sector and the public**, by placing regular articles and case studies in newsletters etc. already circulated within East Lothian.

- e) **Continue mapping the sector** and drawing in emerging organisations, including those which are based elsewhere but may be delivering in East Lothian.
- f) **Publicise the Scotland unLtd awards** to raise awareness amongst individuals.

***7.2. Embed an appreciation within public bodies of the opportunity that social enterprise can afford, with a view to developing market opportunities that social enterprise can address.***

There is a considerable piece of work to be done on procurement, and on developing further Service Level Agreements. There is however a major opportunity being missed at present, to use Wider Role funds to stimulate procurement activity and social enterprise development. Recommendations are:

- a) **To investigate use of Wider Role funding** to support this work with Registered Social Landlords operating in East Lothian.
- b) **Undertake an awareness raising initiative with staff in public bodies**, so that they can view development opportunities from a social enterprise perspective.
- c) **Circulate information on ELSEP's progress** and social enterprise development to other forums and public bodies in East Lothian.
- d) **Investigate opening up procurement processes and SLA development processes to social enterprises** and creating a separate strand of work which examines how to quantify social benefits and incorporate these into the Best Value framework and procurement policy. There is national work which could assist in this.
- e) **Create a programme that prepares new organisations to meet the business criteria for Service Level Agreements.**
- f) **Work towards a procurement or 'meet the buyers' event** in future for existing social enterprises and social economy organisations.

***7.3. Create a network of supports for existing and new organisations who want to expand their social enterprise activities***

Recommendations are:

- a) **Support the emergence of an independent self-managing social enterprise network** with a dedicated development worker, by providing assistance with fundraising and start up support (e.g. legal advice).

**b) Develop a multi-agency support model**

If awareness raising and publicity raises the profile of social enterprise, there has to be a single recognisable point of engagement for organisations, and an organisation to which referrals are made. ELSEP itself cannot provide this, it has to be created within a partner organisation.

A 'ladder' of support could be developed however, with different partners or local organisations using their expertise to provide support at different stages. This, to work effectively, would require clear signposting, an inter-agency referral system, and in some cases, additional resourcing.

**c) Provide more support in the early stages**

This could best be done by offering a dedicated input to an organisation that expresses an interest in social enterprise, to explore their ideas and discuss an action plan.

ELVON has already been supporting some organisations at the very early stages, and with additional staffing support might be able to offer advice and motivational development more effectively, to a greater depth than presently, and to a larger number of groups.

At this stage, organisations who wished to proceed could also be signposted to Economic Development for business support as well as the social enterprise network.

**d) Publicise and extend access to Business Development support**

The existing business advice and support services currently provided by Economic Development could offer support for market investigation and testing, and would also include the existing external funding advice service.

**e) Create a separate fund for feasibility study work in East Lothian,** possibly administered by CEL on behalf of ELSEP.

**f) Provide access to dedicated pre-start up and start up development support.**

This would cover practical organisational development needs that arise during the planning and pre-start up phase. These are likely to include skills development, developing organisational policies, preparing for employing people, volunteer training and developing financial systems.

The current business training programme offered by Economic Development could be expanded, however many organisational issues are particular to the

voluntary or social enterprise sector, therefore some tailored training is necessary. VDEL with additional staffing support could be able to offer training for volunteers involved in social enterprise activity.

With any start up, aftercare support is also needed, and this could be supplied by the social enterprise network and its development worker, if it was established.

- g) **Supplement the above 'core' support service with additional training sessions on issues of interest to the sector.**
- h) **Develop a dedicated childcare programme of training and support in business and management skills, for the management committees of childcare services, in partnership with East Lothian Childcare Partnership.**
- i) **Support the business community and social enterprises to develop mentoring programmes.**
- j) **Investigate the creation of a leadership development programme for organisational leaders who wish to develop social enterprise, or tap into national social enterprise learning organisations via Futurebuilders.**
- k) **Ensure local organisations have access to national social enterprise support agencies, other training and information regarding social enterprise.**

#### **7.4. *Support growth in some key strategic areas***

- a) **Focus future new developments on the priority areas:**
  - employment-creating social enterprises aimed at disadvantaged people
  - environmental management and recycling
  - social enterprises aimed at young people
  - social enterprises aimed at tackling health issues
  - social enterprises aimed at tackling rural exclusion by developing access to services, especially where it may be uneconomic to provide these by other means
  - social enterprises aimed at tourism development.
- b) **Develop a separate initiative on community recycling through social enterprise**

The Council has already done work in this area which could be built on. Waste reduction and recycling activity is a key strategic area for growth at present, with funding through the Increase Programme to encourage new activity. The Council sees opportunities in electrical goods recycling, community composting and bike recycling. A starting point could be a separate event organised around expanding social enterprise activity in recycling, with support from the

Community Recycling Network for Scotland, and with the active involvement of those organisations that have been identified through this study as having an actual or potential interest in this area.

**c) Develop a separate initiative on improving the asset base for social enterprises**

There is a particular need for premises, and if more social enterprises start up, then premises availability will become an issue. On the other side, there is an opportunity to base future development around the existing property-based social enterprises.

The development of Fisherrow Community Centre should therefore be seen as a strategic goal, to support the sector in Musselburgh, and ELSEP should examine whether it can provide additional support to the Trust to accelerate refurbishment.

ELSEP should ask local church organisations to come forward if they have premises or halls which they would wish to develop for community use, to see if there is scope for social enterprise use in future.

In addition, there is a need to examine the asset base of social enterprises, both now and in future, to ensure a supply of premises, and to allow for loan finance to be raised against assets in future if the sector wishes. East Lothian Council could be asked to provide an appraisal of any potential unused or underused assets which can be developed for social enterprise use. The forthcoming Community Assets programme of the Big Lottery might be able to fund some work in this area.

## Appendix 1

### Definitions and terms

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A number of government departments and national support organisations have discussed the definition of a social enterprise. While this sometimes appears to be a boring or fatuous activity, it becomes critical when deciding on the aims and objectives of a support structure, and in deciding which organisations may be eligible for support in future.

#### 1.1. The Scottish Executive Social Economy Review 2003

The review stated that social economy organisations are independent of the state, have primarily social objectives and their surpluses are reinvested for that purpose. The review assumes certain underlying key characteristics: voluntary management, established for a social purpose, nonprofit distributing and involving community or user participation. Social purpose aims can be applied to communities of place as well as communities of interest (e.g. disabled people).

The Review document recognised that some social economy organisations were fully based on the business model, and aimed to be self-financing, and therefore had more in common with the private sector than the social economy. It recognised that it could be counter-productive to impose a set definition on what is a dynamic area of economic activity. The review therefore adopted an open approach to what may or may not be included within the term 'social economy'.

#### 1.2. Communities Scotland

Communities Scotland has broadly adopted the definition from the Review, and has not attempted to distinguish between social economy and social enterprise. Its website states that 'social economy organisations are voluntary and community organisations that use a business like approach to delivering goods or services'.

The list of successful applicants to the investment and seedcorn funds demonstrate that 'traditional' voluntary sector organisations delivering public services, and smaller social enterprises which have adopted the business model, have both been successful in gaining support.

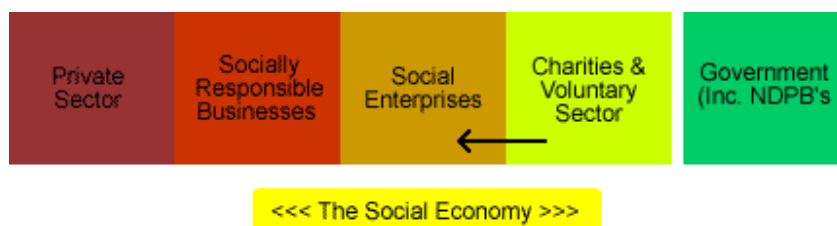
#### 1.3. Scottish Social Enterprise Coalition 2005

In its submission to the Business Growth Enquiry of the Enterprise and Culture Committee, the SSEC stated that social enterprises are businesses with a social

purpose, working across Scotland to deliver lasting social and environmental change.

Social enterprises are defined as businesses that trade in the market for a social purpose and have three common characteristics:

- **Explicit social aims** - There is a clear social purpose which drives the organisation or business. This is explicit and core to activities rather than incidental. Non-profit-distribution will mean that surpluses are re-invested for community benefit.
- **Commercial activity** - The venture will aim to derive a significant proportion (>50%) of its income from commercial contracts or the sale of goods or services to a market.
- **Social ownership** - There will be community accountability either through co-operative structure or management by voluntary trustees.



#### 1.4. Community Business Scotland

The report 'Social economy and social enterprise' published by the CBS network in 2003 includes the following types of organisations as being social enterprises:

- co-operatives
- development trusts
- employee-owned businesses
- credit unions
- intermediate labour market companies
- registered social landlords
- social businesses
- social firms
- trading arms of charities
- employee-owned businesses
- credit unions
- Community Development Finance Initiatives

### 1.5. The European Commission

At a European level, DGXXIII of the European Commission has examined the social economy across Europe, and there is a definition of a social enterprise resulting from this work:

*"A social enterprise is a firm characterised by the double objective of profit making and contributing to the public good. At least part of its revenue must come from the sale of goods and services and other income is derived from public subsidy or public contracts. Social objectives can range from environmental concerns to social welfare activities such as the creation of quality employment for low-qualified groups or disadvantaged groups or the provision of new local services."*

Under this definition, co-operatives and employee-ownership schemes would not qualify as social enterprises, as they exist to benefit the individuals involved in the activity, not wider society. Housing associations would be classed as social enterprises.

### 1.6. UK Social Enterprise Coalition SSEC

Their Charter text reads:

*"Social enterprise is an umbrella term for organisations that achieve a variety of social aims predominately, but not necessarily exclusively, by trading in goods and services. They are competitive businesses, which often will have invented innovative ways of meeting local needs."*

### 1.7. Social Enterprise London

Social Enterprise London is a leading organisation in the social enterprise 'movement', and has published some very useful work on social enterprise. Their definition of social enterprise is stated as follows.

*"Social enterprises are competitive businesses, owned and trading for a social purpose. They seek to succeed as businesses by establishing a market share and making a profit...They emphasise the long-term benefits for employees, consumers and the community. They bring people and communities together for economic development and social gain."*

SEL recognise three common characteristics of social enterprises, which the Scottish SEC has also adopted.

SEL lists 9 distinct organisational types:

- employee-owned businesses
- credit unions
- co-operatives

- development trusts
- social firms
- intermediate labour market organisations
- social businesses
- community businesses
- charitable trading arms.

SEL do not include housing associations as social enterprise organisations. Some housing associations however e.g. community-managed ones, appear to fall within SEL's own definition.

### 1.8. Forth Sector Business Planning Guide

Forth sector is a major player in the social enterprise sector in Scotland, having set up five social firms. It has produced this guide for the Scottish Executive, and has produced a major report on procurement and the social enterprise sector. The definition in this guide is:

*A social enterprise is a business that trades for a social purpose. The social aims of the business are of equal importance to its commercial activities and this combination is often referred to as the 'double bottom line'. A social enterprise focuses on generating income through the sale of goods and services to a market or through commercial contracts. Social enterprise is a different way of doing business. The added value of social enterprises comes from the way in which they use profit to maximise social, community or environmental benefits.*

### 1.9. DTI Social Enterprise Unit

The UK Government policy on social enterprise is more developed than in Scotland, and there exists a separate social enterprise strategy, and a dedicated unit within the Department of Trade and Industry to develop infrastructure support. Their definition, contained in 'Social enterprise - a strategy for success' is:

*A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.*

### 1.10. Conclusion

The debate about definitions appears to revolve about the balance between economic and social objectives, reflected by the level of trading activity that might be seen as 'qualifying' any particular organisation for membership of the social enterprise sector.

A 50% generation of income through trading or contracting is present as a criteria within some support organisations, but does not clearly feature as yet within Government definitions.

The common ground of criteria therefore appears to be:

- Enterprise orientation and using a business model
- Social and/or environmental purpose
- Non profit distribution and social/community ownership.

Trading income appears to be generally accepted as including both commercial sales to a market and servicing public contracts.

## Appendix 2 Survey Form

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### East Lothian Local Social Economy Partnership Confidential Survey of the social economy sector in East Lothian

#### Section 1. Organisational details

Name of organisation

Contact telephone

Contact person

Aims of the organisation

Main client groups you work with

What types of activities do you currently run

Which of these best describes the sector are you operating in

Economic sector	Please cross one box
Childcare	
Media/Arts	
Financial services	
Catering/hospitality	
Information/publishing	
Personal services/social care	
Retail	
Social clubs	
Property development/management	
Environmental	
Design and print	
IT	
Security	
Horticulture	

Transport	
Housing/construction/trades	
Other:	

How many staff do you employ

How many volunteers do you involve (excluding your Board or management committee)

What was your annual income for 2004/05

Who grant funds your organisation and what proportion of your income comes from local, charitable and national funding streams

Source of funding	Proportion of income
Scottish Executive or other national funding	
East Lothian Council/NHS	
Charitable Trusts	
Lottery funds	
Trading/income generation	

## Section 2. Current income generation activity

Do you generate income through trading

Yes	
No	

If yes, what services or goods do you supply

If yes, what percentage of your income comes from trading

Do you have a Service Level Agreement in place

Yes	
No	

If yes, what is it for, and who is it with

**NB if the answer to the above questions is no, then go straight to section 3.**  
Why did you decide to go down this income generation route

Do you feel you have received adequate support in the past to develop this income generation activity

Yes	
No	

What has your experience been, both positive and negative, in developing income generating activity

What would have helped you generate income more effectively, if it had been available in the past

Are you interested in tendering to supply goods or services to public bodies

Yes	
No	

If yes, please say more about this, e.g. what you think you could offer

### Section 3. Future plans

Do you want your organisation to grow in future

Yes	
No	

If yes, how do you see this happening

What will you do to replace current funding when it ends

Does your organisation have any plans to develop income generation activity or explore new possibilities for income generation

Yes	
No	

If no, please go straight to section 4

What has prompted you to look at this

What activities will trading involve you in

What stage are you at in planning this

--

What sources of help are you using at the moment

--

What are the main barriers you face

--

In what areas do you need help to develop your ideas - please cross those that apply

Organisational development	
Legal structures	
Staff development	
Volunteer development	
Market research	
Business planning	
Fundraising	
Financial management	
Legislation	
Premises	
Other - please specify	

#### Section 4. Level of interest in social enterprise

If you are not planning to generate income at present, is your organisation likely to look at it at some point in the future

Yes	
No	

Do you want further information about social enterprise

Yes	
No	

If so, what kinds of information would you want

--

Are you interested in the idea of a local social enterprise network

Yes	
No	

Would you be interested in attending a local event to explore social enterprise further

## Appendix 3

### List of organisations and social enterprises\*

	Status
ELVON Furniture Recycling	Social enterprise
Prestongrange Goth/Prestongrange Arts Festival Society	Social enterprise
Peter Potter Gallery	Social enterprise
Roots and Fruits	Social enterprise
Dunbar Harbour Trust	Social enterprise
Borders Scrapstore	Social enterprise
Fly Right Dance Company	Social enterprise
Carberry Conference Centre	Social enterprise
Poldrate Arts and Crafts Centre	Social enterprise
Life Sciences Trust	Social enterprise
Trinity Centre	Social enterprise
After school clubs	Social enterprises (19)
East Lothian Council Playgroup Development Officer on behalf of all playgroups	Social enterprises (21)
Lamp of Lothian Collegiate Trust	Social enterprise
Haddington Music Initiative	Social enterprise
Lammermuir Community Transport	Social enterprise
Remerge Steering Group	Social enterprise
Lothian Miners Convalescent Home	Social enterprise
Royal Musselburgh Golf Club/Musselburgh Miners Welfare	Social enterprise
Ormiston Miners Welfare	Social enterprise
Elphinstone Miners Welfare	Social enterprise
Macmerry Miners Welfare	Social enterprise
Wallyford Miners Welfare	Social enterprise
First Step	SLA/emerging social enterprise
Changes Community Mental Health Project	SLA
Stepping Out	SLA
Carers of East Lothian	SLA
Homestart	SLA
Barnardo's	SLA
VDEL	SLA
Day Centres	SLA (10)
3 others funded by NHS health promotion (awaiting information)	SLA (3)
ABEL	SLA (emerging)
Fisherrow Community Centre/Trust	Emerging social enterprise
Trading Places Development Company	Emerging social enterprise
Amisfield Preservation Trust	Emerging social enterprise
Tynepark Mental Health Resource	Emerging social enterprise
Earth Matters	Emerging social enterprise
Crossroads (East and Midlothian) Care Attendant Scheme	Emerging social enterprise

ELC Barter Books project	Emerging social enterprise
Musselburgh East Community Learning Centre Committee	Emerging social enterprise
The Bridges Project	Emerging social enterprise
ELVON	Support organisation
CEL Ltd	Support organisation
Senscot	Support organisation
SEDI	Support organisation
Scotland unLtd	Support organisation
Development Trusts Association Scotland	Support organisation
East Lothian Business Association	Support organisation
Tranent SIP	Support organisation
Coalfields Regeneration Trust	Support organisation/funder
CISWO	Support organisation
ELSEP partners and relevant public bodies:	
Tom Shearer, Community Well-Being	East Lothian Council
Myra Galloway, Culture and Community Development	East Lothian Council
Gillian Wilson, Environmental Services	East Lothian Council
Richard Baty, Economic Development	East Lothian Council
Dougie Grierson, Economic Development	East Lothian Council
Fiona Edgar, Economic Development	East Lothian Council
John Quinn, Senior Buyer, ELC	East Lothian Council
John Boyce	NHS Lothian Health Promotions
Bob Moffat	Scottish Enterprise Edinburgh and Lothians
Anna Winters	Communities Scotland
Rebecca McKinney	Midlothian Council
East Lothian Housing Association	
Homes for Life Partnership	

\* List includes a few organisations receiving ELVON emailshot who did not respond, and includes a few contacts who were unable to reply before the completion deadline

### Questionnaire respondents:

Crossroads Care Attendant Scheme  
 John Bellany Day Centre  
 Fly Right Dance Company  
 Roots and Fruits  
 Carberry Conference Centre  
 Poldrate Arts and Crafts Centre  
 Lamp of Lothian Trust  
 Pinkie St Peters Out of School Club  
 Earth Matters  
 Carers of East Lothian  
 Trinity Centre  
 After School Clubs (18 less Pinkie)  
 Playgroups (1 for all 21)  
 Dunbar Harbour Trust

Prestoungrange Goth  
Amisfield Preservation Trust  
Borders Scrapstore  
Home Start  
Life Sciences Trust  
Tynepark Centre  
VDEL  
First Step  
Haddington Music Initiative