

Should charities ride the social enterprise wave?

Charities and social enterprises have much to learn from each other, but the ride may not always be smooth, advises [Kate Wyatt](#), Partner in RSB Lindsays' [Employment](#) team and member of the firm's [charities group](#).

Social enterprises are an amazing success story for Scotland, with the number growing by over 200 a year, and their activities range from running community halls to making gin to providing social care.

Their profile continues to rise, with the Scottish Government launching its long-term strategy for growing the sector over 2016-26. It therefore makes sense for charities of any size to consider whether the social enterprise boom could enhance their own activities and access to finance.

How can charities and social enterprises learn from each other?

Charities and social enterprises overlap in their aims and activities, and have much to learn from each other, but they are also very different entities, and may sometimes be better to stay that way.

Charities that want to consider riding the social enterprise wave have a range of options.

1. Operate along the same lines as social enterprises, with a shift to raising more finance through trading and using a more commercial approach to marketing. This can open up new funding sources, as well as create opportunities for profile-raising.
2. Collaborate with other organisations to set up a social enterprise, or to work with an existing social enterprise.
3. Learn from social enterprises, looking at the sector to gain fresh ideas on mindset, marketing and revenue streams.

The learning can also go the other way and for social enterprises to become charities. Around 3500 of Scotland's 5000+ social enterprises are registered as charities, and therefore have to meet OSCR's reporting requirements. Whilst this raises their compliance workload and may restrict their possible activities, it builds transparency, public trust and recognition, which itself can help with raising finance. There are also tax benefits to taking the charity route.

What are the key aspects to consider?

For both social enterprises and charities, the decisions are not straightforward. Legal formalities to consider include:

- The range of work they want to carry out (including political activities or types of trading)

- Payment of directors and trustees
- Whether the benefits provided by the organisation are public or private, and whether any private benefits for an individual or a group of people are intended or incidental
- The consequences in terms of current revenue sources.

Organisations must also examine non-legal aspects, since the gap between charities and social enterprises is often cultural, around having a compliance mindset or a commercial mindset.

As ever, quick decisions can lead to problems. Far better is a slower exploration of the opportunities and issues, and also of possible partners. Be measured, be open-minded, and take advice.

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