

Social Enterprise Policy Consultation,
Department of Rural and Community Development, Trinity Point,
10-11 Leinster Street South,
Dublin 2,
D02 EF85

Tuesday 14 May 2019

Submission re Draft National Social Enterprise Policy

GIY welcomes the publication of the draft National Social Enterprise Policy as an important first step in strengthening the social enterprise sector in Ireland. As stated in the policy document, social enterprises can play an important role in creating economic value and employment in Ireland, but more importantly, they are at the leading edge of dealing with deeply entrenched social issues in a new way.

We are supportive of the policy objectives outlined. This document outlines a number of challenges GIY has faced in the areas of legal status and funding that I feel are unique to our status as a social enterprise, and which we feel may help in finalising the policy.

About GIY

GIY is a not-for-profit organisation that helps people to grow their own food as a lever to a healthier and more sustainable life. In 2018, GIY supported over 500,000 people to grow their own food at home, school, work and in the community. Founded in Waterford in 2008, our activities include:

1. Running award-winning campaigns, events and education programmes that help people to grow some of their own food at home, in schools, in workplaces and in communities.
2. Supporting and funding a network of community food-growing groups, projects and markets.
3. Run a showcase for the movement – a restaurant, education centre, shop and gardens at GROW HQ in Waterford.
4. Contribute to and shape the national discussion on food issues.

Legal Status and Regulation

GIY is a social enterprise – a social enterprise focuses on delivering social returns using business principles and reinvests any surpluses it makes into furthering its social goals rather than those surpluses being claimed by any individual or group of shareholders. Like many

social enterprises we operate in the public consciousness in a space somewhere between a regular enterprise and a charity.

GIY is not a registered charity, nor are we registered with the Charities Regulatory Authority (CRA). GIY had a Revenue tax exemption (CHY number 18920) until 2015 – this charity status was increasingly at odds with our social enterprise focus as the organisation evolved. In 2015 we stopped using the CHY number or referring to ourselves as a charity.

In October 2014 the Government established the Charities Regulatory (CRA) under the terms of the Charities Act (2009). In establishing the initial register of charities, the CRA used all CHY number-listed organisations and therefore GIY were automatically assigned a new CRA number.

Because GIY is not a charity, we do not intend to register with the CRA or to apply for a new Revenue tax exemption. As a result, we are currently listed on the CRA website as ‘De-Registered’. Clearly, this creates the impression that we are not compliant with the CRA or worse. We have asked the CRA to remove our listing altogether since we are not a charity, but the advice from them is that they are currently legally obliged to retain the listing for organisations that were on their original register.

Recognising the public confusion around ‘non-charity’ not-for-profits such as GIY, the Irish Social Enterprise Network have called on the government to create a new, distinct and recognisable social enterprise legal form that exists in other jurisdictions, such as a Community Interest Company (CIC), B-Corp or Cooperative. We endorse this request.

Currently we can only advise customers, funders that our not-for-profit approach is guaranteed in the following ways:

1. GIY Ireland Ltd CLG is a company limited by guarantee. This means that the organisation does not have any shareholders or owners to whom profits can be transferred.
2. The company is governed by an independent board of directors who provide overall direction and leadership for GIY and ensure its effectiveness as a social enterprise.
3. Our Constitution (formerly the Memorandum and Articles of Association) copper fastens this not-for-profit approach.
4. Annual Audited accounts – our accounts are independently audited and filed with the CRO.
5. Governance Code – GIY has adopted the Governance Code, A Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland.
<https://www.governancecode.ie>

Funding Challenges for Social Enterprises

In a similar way, social enterprises face widespread confusion when it comes to funding, particularly loan financing. This is particularly important in the growth phase of a social enterprise when it may be undertaking larger, capital projects or expansion plans. In 2016 GIY was putting together the financing (a mix of fundraising and loan finance) to construct and develop GROW HQ, our national food education centre in Waterford.

The centre includes a 65 seat café, gardens and education centre which acts as a showcase for the GIY movement in Ireland, and now turns over in the region of €1m per annum. The €1.4m funding target created unprecedented challenges for us, some of which were directly related to our status as a social enterprise. In terms of loan finance, we found that we were too 'social' for many of the commercial lenders and ironically too 'enterprise' for some of the social lenders. In the end we were forced to create community bonds ourselves, to plug a gap in loan finance.

In terms of state supports:

- Despite meeting most of the impact criteria we were not eligible for LEADER funding as GROW HQ is a few miles inside the city boundary, even though many of the services we provide nationally are in rural communities.
- Local Enterprise Office funding could only be applied for under our trading company GIY Ireland Activities LTD (even though it is wholly owned by the CLG), despite the fact that GROW HQ was creating employment (now 22 jobs). Note: The LEO in Waterford were incredibly supportive.
- Many enterprise supports are not available to social enterprises, despite the fact that they create jobs, export and so on.
- Narrow definition and rigid requirements in programmes such as CSP mean we have not been in a position to apply for employment supports, which would greatly help to offset the higher costs we have as a Social Enterprise.

In addition to our traded income, we credit philanthropic funding and other supports from organisations such as the Arthur Guinness Fund, Social Entrepreneurs Ireland, Ashoka, Social Innovation Fund Ireland, the Ireland Funds, and The Community Foundation in supporting the development of GIY and funding some of our core programmes.

Other Issues:

- Corporation Tax: could a separate band be considered for CLG's that are liable for corporation tax, given the value they add to society? Corporation Tax liabilities tend to be a growth stage issue, when successful social enterprises start to generate profits that they should be reinvesting in their mission.
- Government Procurement should actively encourage and consider social enterprises in state contracts.

Should you have any questions please do not hesitate to contact me.

Regards

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 www.GIY.ie