1. Understanding the scale and growth of social enterprises and employee-owned businesses in Scotland

A census of social enterprises was carried out in 2015. The Big Lottery Fund was pleased to be one of a number of organisations who financed the research which aimed to produce a definitive picture of the sector.

The census revealed there are 5,000 social enterprises in Scotland with over 200 new ones forming each year. Social enterprises in Scotland provide 112,400 jobs, with gross value added estimated at £1.7bn.

One of the most interesting insights from the study was that 60 per cent of social enterprises have women as their most senior employees and 68 per cent pay the living wage. This, along with other evidence in the survey such as diversity on boards, suggests that social enterprises are at the heart of a new kind of economy, one that’s diverse and inclusive and this is a strength that can be supported and built on.

The full report is available on Social Enterprise Scotland website http://www.socialenterprisescotland.org.uk/files/1a891c7099.pdf

3. Assessing the sources of funding and support available

There are a number of sources of funding in Scotland for social enterprises with the Scottish Government, charitable trusts and social investors all playing a role. Big Lottery Fund Scotland distributes around £60-70m per annum in Scotland, making the Fund one of the largest supporters of the third sector outside central government. We support social enterprises across our entire funding portfolio, meaning that social enterprises can access funding for small projects, for seed corn support to research or pilot ideas, and for revenue funding for up to five years to expand and run business that benefit communities and people in need. An important area of our investment over a number of years has been support for community based enterprises to acquire and develop assets (such as local buildings, shops, greenspace or transport) and to deliver services that benefit their communities and generate income to enable them to be more sustainable. Over the last ten years we have invested £78m in 162 community asset/ownership projects, in each case helping to support a new or existing community enterprise.

Two examples of how social enterprises have used Big Lottery funding are:

£653,225 over 4 years to Isle of Jura Development Trust’s ‘Community Purchase of Jura Stores’

This project was to purchase and redevelop the only convenience store and post office on the island with the aim of securing the future of the shop, provide employment, volunteering and training opportunities and improve access to a wider variety and volume of local food and household goods. Jura’s only shop, run by Jura Stores Community Interest Company, opened for business under community ownership on Monday 25th March 2013.
£678,435 over 3 years to Kibble Education and Care Centre’s ‘Multi-Choice Skills Programme’

This project provides transitional employment to 150 young people aged 16-24 over three years. Young people who have been in care or are involved in the criminal justice system will have access to a six month full time paid work placement in the organisations new social enterprise, the Experience. The enterprise occupies the former Rolls Royce factory in Hillington and provides opportunities in events management, hospitality, catering, administration and maintenance. Young people participating in the programme are able to work towards SVQ qualifications and gain work experience. Kibble provides employability support and facilitate introductions to employers, including open events for potential employers to visit the enterprise and see trainees at work. Young people also have access to support with housing, money and health advice, and practical support through existing Kibble services or referrals to existing partners.

We often work with a range of other funders, including independent charitable funders and social investors, to create the right funding packages for emerging, growing and established social enterprises.

We also fund specialist business and financial planning support for our applicants and grant holders which is particularly well taken up by social enterprises - both to support the development of business plans and when they face challenging operating circumstances and have to re-plan, think fresh or re-focus their approach.

Our learning points from this include that social enterprises in Scotland benefit from the availability of different kinds of finance (small and large scale, repayable and non-repayable, capital and multi-year revenue); that free-to-access support and advice plays an important role (especially where this is bespoke and specific to the business model, sector or market the enterprise is operating in); and that grants and loans both have a continuing role to play in supporting delivery and growth in the sector (the key is to build the right funding package for the enterprise).

Our interest in this area has also led us to make some specific investments in recent years in the landscape of funding and support for social enterprises - Resilient Scotland, Launch Me and Community Shares Scotland - which we believe are making an important contribution and creating approaches and learning that can be shared.

Resilient Scotland

Resilient Scotland is an independent charitable trust set up through a £15m endowment from the Big Lottery Fund to enable community organisations to contribute to sustainable regeneration in their areas, working across 13 local authorities. They offer a mix of funding, blending grants and loans, and in particular have aimed to generate and meet demand for smaller scale loans through their ‘Start and Grow’ product.

Some of the emerging learning from this work is around the balance of grant and loan in investment packages and the appetite for risk required at an early stage.
Example investment by Resilient Scotland:

**Stepwell** is an innovative social enterprise, committed to improving health, well-being and employment opportunities for vulnerable people living in the Inverclyde area. Stepwell operated a takeaway food outlet in the Oak Mall shopping centre in Greenock, however, a change in the customer base led them to rethink their business plan. Their vision was to create a café/ bistro in the shopping centre, serving homemade, fresh food whilst offering employment and training opportunities to vulnerable people.

The loan and grant package of £60,000 from Start & Grow allowed the vision to become a reality. The money has allowed them to refurbish the expanded retail unit, marketing and provide working capital to assist with additional stock and overheads for the first year of operation.

**Launch Me**

LaunchMe is an initiative of the Big Lottery Fund and Social Investment Scotland and delivered by FirstPort, designed to grow the social investment market in Scotland and create a stronger pipeline of social enterprises with growth potential. LaunchMe is Scotland’s first accelerator programme for ambitious, early stage social enterprises. This pioneering programme is currently working with 13 social entrepreneurs who could use social investment to scale up their business and increase their social impact. Big Lottery funding supports the operating costs of the programme and provides grant funding to match loans secured from investors.

Emerging learning from this initiative is that there is a group of Scottish angel investors willing, able and interested in investing in social enterprises and that this can unlock low cost capital as well as valuable business advice and access to industry networks.

**Example enterprise from Launch Me:**

**MsMissMrs** is a Glasgow-based initiative led by Sylvia Douglas which seeks to empower vulnerable women through delivering workshops on self-care and improving confidence and self-esteem. This vital support enables some of Glasgow’s most vulnerable women to make active contributions to their communities. The workshops and a self-care workbook are funded by profits from the sale of ‘Empowerment Pants’ – superheroine-themed underwear targeted at the 16-35 market. As part of the Launch Me programme Sylvia has developed her ideas for expansion and refined her product and marketing, and is now seeking capital to launch her product with a high street retailer with production based in Glasgow.
Community Shares Scotland

Community Shares Scotland is funded by the Big Lottery Fund Scotland and Carnegie UK Trust until March 2017 and is delivered by DTA Scotland in partnership with the Plunkett Foundation, the Community Shares Unit (a joint project run by Locality and Co-operatives UK) and Rocket Science.

Community shares are an exciting and democratic model of raising finance for initiatives from communities who take part and benefit themselves. Community Shares Scotland operates as a dynamic hub for support and assistance to develop new share offers and support existing ones. It also acts as a platform for profiling the community share model, raising awareness of the value of the approach to new entrants and facilitating peer support and networking to those already involved in community shares. Finally it is a central reference point for market intelligence, providing the latest information on community share activities nationwide, as well as producing guidance materials.

Since the launch of the service we have been impressed by the degree of interest in the community shares model, with a number of share offers successfully launched and completed, as well as a strong appetite from community development and finance specialists keen to add knowledge of the community shares model to their work.

Example share offer supported by Community Shares Scotland

In Autumn 2015 Portpatrick Harbour Community Benefit Society launched a community share offer, in collaboration with Community Shares Scotland, with an investment target of £100,000 in an attempt to secure the integrity and ownership of the historic harbour of Portpatrick for the benefit of the community. This community share offer has provided all who love the village of Portpatrick the opportunity to purchase community shares in the harbour thus supporting and securing the future of this unspoiled idyllic asset for many years to come. Achieving the ultimate goal of raising £100,000 has not only secure community ownership of the harbour but also allow the community to kick start much needed upgrades. What’s more, the Portpatrick Harbour Community Benefit Society became the very first Community Benefit Society in Scotland to achieve both Financial Conduct Authority registration and full charitable status with the Scottish charity regulator OSCR in July 2015.

4. What public bodies are doing and should be doing to encourage these business models

We have included earlier in this submission some of the existing positive work already being delivered, by both public and third sector organisations, to support social enterprises. As a public body ourselves, we have also summarised some of the ways we are supporting social enterprises and look forward to reviewing the submissions to the Committee to continue to develop our learning and interest. From our current learning there may be three areas that are worth continuing consideration in wider policy making:
How the purchasing power of public bodies (and indeed other organisations) might help build stronger markets for social enterprises, a ‘buy-the-good-stuff’ campaign

How policy and support in key sectors (such as renewables, housing or transport) can impact over time on potential markets for social enterprises

How a long-term view on growth and viability can support both a stronger pipeline of emerging entrepreneurs as well as a more sustainable cohort of leading social enterprises.