SUBMISSION FROM FIRSTPORT

Scale of and growth of social enterprises and employee owned businesses in Scotland

The Social Enterprise in Scotland: Census 2015 is an independent study that takes stock of social enterprise in Scotland and its contribution. The census revealed that there are 5200 social enterprises operating in Scotland, contributing £3.63b to the economy and employing over 112,000 people across most economic sectors.

The census uncovers that social enterprise is still a very young sector - 42% of all social enterprises were formed in the last 10 years and the average trading income is £56,100. 33% of social enterprises are emerging (less than 25% of income is developed from trading) and 16% fall into the aspiring category (25-49% of income is generated from trading). In around one quarter of cases, social enterprises serve only a single neighbourhood or community and might be described as “community enterprises”. Just over half of social enterprises operate across one or more local authority area and less than a quarter across Scotland and beyond.

Firstport is a key member of the social enterprise support infrastructure as the development agency for start up social enterprises. It was set up in 2007 and since then it has significantly contributed towards reshaping and strengthening the support available to Scotland’s budding and emerging social entrepreneurs. Firstport’s track record includes providing high-quality, bespoke business support to social start-ups across Scotland and managing robust grant programmes for seed funding and scaling up. In the last eight years, it has supported more than 4,000 social entrepreneurs and invested £4m in 600 new starts.

Firstport’s 2014 impact report, Start Something Good, has evidenced that the start ups supported create on average 2.7 full time jobs and generate around £56k within two years. Three out of every five start ups supported by Firstport are still trading after five years.

Examples of innovation from businesses

Art Village, Glasgow

Set up by Patrick Evans and Julianne Dost, ArtVillage transforms unused commercial buildings into centres of artistic excellence to revive historic high streets, creating vibrant, successful, cultural centres. This directly contributes to the regeneration of Glasgow and the well-known issue of high street decline. The innovative concept provides benefits to all involved: the landlord no longer had premises sitting empty; artists in Glasgow have a new place to showcase their talent, and the local community has a vibrant local area, where they can meet, learn, enjoy and be proud of.

Love Learning Scotland, Motherwell

Having worked in the youth justice system for 15 years, Lynn Bell has an abundance of experience in working with individuals with challenging behaviour, the provision of social care and providing educational qualifications. Over her career Lynn realised how unique it was for an individual to have expertise in all these areas. Lynn decided to set up Love Learning Scotland to combine the provision of qualifications, life coaching, and
behaviour management support to youth offenders. Combining the 3 areas creates a high standard of service to youth offenders whilst reducing the cost to local authorities.

Locheilnet CIC, Fort William

Locheilnet was set up by Chris Pellow to provide wireless, terrestrial, high speed broadband services to remote and rural communities of Lochaber, targeting customers who lie outwith any areas covered by the proposed BT infrastructure upgrade. After realising that communities in her local area had little or no prospect of receiving good broadband in the foreseeable future (no alternative broadband provider available), Chris set out to fulfil this need and thereby to contribute significantly to the survival and development of such fragile communities. To make this idea viable, Locheilnet developed innovative partnerships with companies with a local presence to fulfil their Community Benefit provisions or with those that had vested interest in requiring good broadband provision for their own remote business premises.

Assessing the sources of funding and support available

Since 2009, Firstport has delivered the Social Entrepreneurs Fund (SEF) on behalf of the Scottish Government. SEF is highly competitive and demand regularly outstrips supply. The Firstport team has handled over 2000 applications and awarded grants totalling £2.8m. It has achieved wide spread coverage, supporting entrepreneurs in all 32 local authority areas.

SEF is unique as it supports the social entrepreneur and his/her idea at a very early stage, even before the enterprise is established as a legal entity. At an idea stage, an entrepreneur can apply for a Start it award of up to £5000 to test the idea, find out if it is viable and if it addresses the social issue it set out to alleviate. For those entrepreneurs who have tested the viability their idea and would like to commit themselves wholly to making their venture work, a Build it award of up to £25,000 is available to cover living expenses for the social entrepreneur, allowing the venture to develop further and faster.

We believe the success of this programme lies on combining seed funding with development support. We deliver the Social Entrepreneurs Fund alongside the Just Enterprise start up support programme, which comprises one to one advice and workshops. By bringing together these two elements, Firstport provides a much needed one stop shop to anyone starting a journey as a social entrepreneur. Our experience has shown us that to really stimulate more social enterprise activity and help social entrepreneurs achieve more impact; one size does not fit all. We now have a track record of designing and delivering a range of pioneering products and programmes to support start-ups at different stages and from locations across Scotland.

LaunchMe

LaunchMe is Scotland’s first accelerator programme for ambitious social enterprises funded by Big Lottery Fund. It aims to help early stage social enterprises achieve more impact, through supporting the most ambitious entrepreneurs and high growth ideas reach the market. LaunchMe also aims to connect ambitious social entrepreneurs with the capital they need to succeed using a mix of grants and repayable finance. To this end it has focused on growing the number of new social investors by targeting the
existing business angel community in Scotland. Participants can apply for an initial grant of up to £25,000 and any investment they secure can also be matched with a grant.

Culturally, social enterprises remain cautious over repayable finance but uncertainty over funding is one of the biggest barriers to development. We recognise that scaling may not be right for everyone; however, we need to continue to stimulate interest, build confidence and connect social entrepreneurs with new investors if social enterprise is to achieve impact at scale. Over the last 18 months has worked with 14 social entrepreneurs to help them raise the right kind of repayable finance that can support their growth plans.

**Vital Spark and Beyond the Finish Line (BTFL)**

Firstport has a track record of running place based programmes in Glasgow, Argyll & the Islands and West Dunbartonshire that has resulted in new social enterprises starting up.

These programmes aim to help people in communities where there are regeneration opportunities to realise the assets within their areas (physical or otherwise) and use social enterprise as a vehicle to re-define their areas, making them better places to live, learn, discover and meet. These placed-based programmes take the main elements of Firstport support (seed funds and business support) and combine them with high-profile campaigns to engage communities from the outset and where possible, a physical incubator space.

In Glasgow, over a 12 month period, BTFL shortlisted 15 people (or teams of people), actively worked with 10 and of those supported seven to test their idea and begin trading. Vital Spark is funded by Highlands & Islands enterprise and currently working with 14 people (or teams of people) across three areas. We expect this to increase to 30 in 2016. Both programmes are successful in engaging people who had not previously thought of starting a business and who had not heard of social enterprise.

**Ditto**

Ditto aims to increase the number of new start social enterprises across communities and sectors by replicating tried and tested business models. By doing this, Ditto aims to speed up the process of getting an idea off the ground and avoid common mistakes.

Ditto works with existing social entrepreneurs who are willing to share their businesses model and uses replication techniques to create detailed start-up and operations manuals, from community cafes to bakeries and gardening maintenance services. Firstport then provides tailored guidance to budding social entrepreneurs to want to use the manuals, gives them access to a network of peer support and the opportunity to apply for seed funding. Ditto is currently working across 13 local authorities in Scotland and to date has supported 21 social entrepreneurs and created 12 replication manuals.

**What public bodies are/should be doing to encourage these business models**

Firstport believes that for social enterprise to reach its full potential, it needs to achieve two goals: volume and scale. Our strategy “**Start Small, Aim High**” sets out the four aims we have set ourselves to build a strong pipeline of ambitious social enterprises in
Scotland. Working in partnership with the public, private and third sector is crucial to achieving those aims and we propose that further support from the government could include:

**Increase the support for the Social Entrepreneurs Fund**

SEF is an oversubscribed programme, current success rate is just over 30% and in many occasions we are unable to award ideas purely due to funding constraints, or if we can, we reduce the amount of money given per award (for example, the average award size for Start it award is £3000). Based on our experience and understanding of demand for this type of fund, we would suggest doubling the number of awards given out and increase the award size so applicants can regularly secure up to £5000.

A greater number of awards would encourage more people to consider social enterprise as a viable business model, test ideas and ultimately kick start more social enterprises each year. This would also help increase the variety of ideas being set up - bringing new and creative approaches to existing problems - and the diversity of the social entrepreneurs behind them.

**Invest in the most ambitious social enterprise ideas to achieve impact at scale**

We believe that for social enterprise to reach both its economic and social impact potential, we need to encourage a more ambitious mind-set in social entrepreneurs from a very early stage and support them to reach their goals. LaunchMe has evidenced that using a funding mix that includes grants and investment can really help ambitious social entrepreneurs to accelerate their growth and impact. The provision of intensive, tailored business support, combined with our efforts to “match” entrepreneurs with the right social investors has proven effective in helping social entrepreneurs to understand, consider and secure repayable finance.

Access to more patient and affordable loans is one of the biggest challenges social enterprises continue to face. This is compounded by existing social investors being less likely to invest in early stage or riskier propositions. Firstport’s limited experience with new investors through LaunchMe has proven that individual investors are more likely to invest in early stage enterprises, will take more risks and offer loans at a lower interest rate.

LaunchMe is delivered by Firstport and funded by Big Lottery Fund Scotland. The current contract is due to end in 2016 and Firstport has already set out plans for how further rounds of the programme could be implemented. We would encourage the Government to consider creating a fund that LaunchMe participants can tap into to match any investment secured from a social investor.

Read our strategy document [Start Small, Aim High: Firstport 4 aims in 4 years](#) to find out about our ambitious plans. Published June 4 2015.