SUBMISSION FROM INSPIRALBA

Please find attached a mapping report in relation to social enterprise activity in Argyll and Bute. This report highlights the contribution made to the local economy by social enterprises as well as highlighting the importance of the sector in the rural economy, utilising an entrepreneurial approach to tackling issues and aspirations for local communities.

Ailsa Clark
Development Manager
Inspiralba
Social Enterprise in Argyll and Bute

A report for ABSEN now Part of Argyll and Bute Third Sector Interface.

Social Research

Service Design & Innovation

Strategy & Collaboration

Evaluation Support

Social Impact Measurement

September 2015
## Index

1: Social Enterprise in Argyll and Bute  1

2: Scale  6

3: Structure  10

4: Geography  12

5: Sectors  13

6: Trading  15

7: Financial Strength  16

8. Looking Forward  19
1: Social Enterprise in Argyll and Bute

This report presents the findings of a comprehensive study into the scale, scope and characteristics of social enterprise activity in Argyll and Bute.

Background

Argyll and Bute Social Enterprise Network (ABSEN) was a membership-based organisation established to network new and existing social enterprises across Argyll and Bute.

The main focus of ABSEN being sustainable regeneration and local service delivery in local communities. This has been achieved through strengthening local third sector organisation and assisting to help organisations become financially self-sufficient.

Members of ABSEN first began meeting in 2004 and the organisation was established as a Company Limited by Guarantee in 2008. In 2015 there were over 100 members covering a diverse range of activities, service provisions and outcomes.

ABSEN has carried out annual member surveys to record and understand progress and improvements for its members.

After many months of review, discussion and agreement from members of the three boards, ABSEN merged with AVA and Islay and Jura CVS in September 2015.

A new organisation Argyll and Bute TSI has been formed, with agreement to merge organisations and functions from all three partners involved. It is anticipated that Argyll and Bute TSI will continue to provide focussed support to social enterprise and the social enterprise network in Argyll and Bute.

In 2015, ABSEN commissioned Social Value Lab to conduct a mapping study of Argyll and Bute social enterprises using research from the recent Social Enterprise in Scotland Census 2015 as well as from the ABSEN Members Survey 2015.

ABSEN will use the data gathered from this study to understand the scope and scale of social enterprise in Argyll and Bute and to help provide more targeted and efficient support for its members.

The Argyll and Bute Context – Setting the scene

Covering the second largest administrative area of any Scottish council, Argyll and Bute is located in the West of Scotland and currently has a population of approximately 89,500. Almost 80% of the population live within one kilometre of the coast.

---

2 Scottish Coastal Forum, 2002
The council area includes most of the county of Argyll (Argyll minus the Morvern area), part of the county of Bute (the Isle of Bute) and part of the county of Dunbartonshire (the Helensburgh and Lomond ward) and covers 2,668 square miles.

Argyll and Bute is a region with unique scenery, from the 25 inhabited islands with beaches to the rugged landscapes of the mainland and all that’s in-between. A variety of festivals, activities and events attract locals and tourists throughout the year.

**Economy**

Argyll and Bute Council’s Economic Development Action Plan 2013 to 2018 sets out plans to focus the Council’s resources on the economic development activities that will have the greatest impact on sustainable economic growth of its communities and Scotland as a whole. It articulates the Council’s corporate priorities for developing the Argyll and Bute economy, facilitating focus, effective resource planning and partnership working at the local, national and European levels as well as promoting partnership working throughout Argyll and Bute between the public, private and social enterprise sectors.

Argyll and Bute Council has also developed a Corporate Plan 2015-2017 with the vision that Argyll and Bute’s economic success is built on a growing population. This vision has six key outcomes including: “Our economy is diverse and thriving.” The Council aims to: make Argyll and Bute the best and easiest place to do business, promote and market Argyll and Bute and encourage companies and individuals to relocate to this area to improve upon the economy and to use Council resources and facilities innovatively to generate income in order to protect and enhance services. This will include social enterprises due to the hopes of positively affecting business and trading in Argyll and Bute.

Argyll and Bute’s economy is predominantly service-based. Over 85% of employee jobs in the area are provided within the service sector with approximately 15% of jobs in tourism related activities.

Argyll and Bute has relatively high levels of employment in agriculture, forestry and fishing (6% compared to a Scottish average of 2%) and public administration, education and health (36% compared to a Scottish average of 31%). However, job security is dependent on seasonal activity, resources and tourism leaving in vulnerable to fluctuation throughout the year.

**Community**

There are a number of policy initiatives that change the landscape in which social enterprises operate.

The Christie Commission report was published by the Scottish Government in 2011. It sets out the essential reform agenda for public services to meet a growing demand caused by changing demographics. The report recommends that the system of public services – public, third and private sectors – must become more efficient by reducing duplication and sharing services wherever possible and advocates a partnership working that is prevention focused across Scotland. The report also stresses the need for public services to become more outcome-focused, integrated and collaborative.

The Scottish Government has set a process in motion to reform procurement as a result of the Christie Commission, culminating in the Procurement Reform (Scotland) Act 2014. This act places a duty on public agencies to consider the wider social impact of each procurement process. Support mechanisms have been provided by the Scottish Government to assist the implementation of this legislation, including the support provided by Ready for Business.

In 2014 the Community Empowerment legislation was put in front of Parliament. The aim of this Bill is to empower community organisations through asset transfer of land and buildings and to strengthen their voices through the introduction of the ‘Right to Request’ (to participate in decisions how services are planned and delivered).

The report also provides a statutory basis for community planning partnerships, and places

---

1 Argyll and Bute Council Corporate Plan 2015-2017
2 Argyll and Bute Community Plan and Single Outcome Agreement2013-2023
3 Argyll and Bute Community Plan and Single Outcome Agreement2013-2023
5 Community Empowerment (Scotland) Bill
duties on them around the planning and achievement of local outcomes.

The Welfare Reform Act 2012 changes the existing welfare system fundamentally. Amongst these modifications were the ‘Bedroom Tax’ and the introduction of Universal Credit. The Act has emitted negative public reactions across Scotland and the Scottish Government is actively promoting and supporting initiatives that mitigate against the negative impacts of this legislation.

For Argyll and Bute the Scottish Index of Multiple Deprivation (SIMD) shows that in 2012, 10 of Argyll & Bute’s 122 data zones (8.2%) were amongst the 15% most deprived in Scotland.

The level of employment deprivation in Argyll & Bute is below that in Scotland as a whole. In the SIMD 2012 employment domain, 10.7% of the population of Argyll & Bute aged 16-60/64 were employment deprived. This compares to 12.8% across Scotland as a whole.

Argyll and Butes Community Plan / Single Outcome Agreement 2013-2023 sets out the Argyll and Bute Community Planning Partnership’s vision for achieving long term outcomes for communities in Argyll and Bute. The Plan sets out targets aimed at improving planning, long term outcomes, equalities, community engagement and empowerment, partnership working and governance for Argyll and Bute.

Social Enterprise

Argyll and Bute Third Sector Interface

The Third Sector Partnership previously consisted of ABSEN, Argyll Voluntary Action and Islay and Jura Council for Voluntary Service. As highlighted earlier all three organisations agreed to merge to form a single Argyll and Bute TSI. The new board of the TSI has recently been formed and the role of the TSI will be to provide support to voluntary and community groups, and social enterprises in Argyll and Bute. Argyll and Bute TSI is a key member on the Community Planning Partnership representing the sector.

Argyll and Bute Local Services Initiative (ABLSI)

ABLSI was formed as a partnership of Argyll and Bute Social Enterprise Network, Argyll and Bute Council, NHS Highland, Carnegie UK Trust, Argyll Voluntary Action and Strathclyde University.

The three main aims of the Initiative were to:

- Identify key success factors for social enterprise delivery of public services.
- Create a set of recommendations that empower social enterprises and public sector to better deliver local services in Argyll and Bute.
- Provide an evidence base with which to influence key policy makers and decision makers.

Recommendations were made by the Initiative to improve the social enterprise sector such as: providing opportunities for collaboration and communication to identify effective partnership responses to service needs and developing skills, knowledge and relationships across the sectors.

Conclusion

Argyll and Bute is host to a significant number of social enterprises and enterprising third sector organisations. Commitments are in place from the third sector and public sector to create a stimulating and prosperous community throughout Argyll and Bute.

Social enterprise is enjoying an increasingly substantial public policy profile as an alternative to private or public services and the sector is well placed to deliver on Argyll and Bute Council objectives.

Mapping Social Enterprise

The mapping study consisted of three key elements.

1. Identifying the ‘population’

From the data available from the Company Register (Companies House) and the Charity Register (OSCR) a comprehensive long-list of potential social enterprises was composed.

By reducing double entries, applying our social enterprise selection criteria and financial data from
the organisation’s annual accounts (where available) the list was reduced to a definite list of social enterprises in various states of development.

2. Surveys

For this study we made use of two recently completed surveys:

The national survey of identified social enterprises that was carried out as part of the Social Enterprise in Scotland: Census 2015. The survey was administered and follow-up telephone calls used to boost responses and gather missing data.

The ABSEN Members Survey 2015, an annual survey of social enterprises in Argyll and Bute that are in contact with the network.

A total of 81 social enterprises submitted information and views relating to their scale, characteristics, geographic reach, barriers, and prospects through both surveys.

Where necessary, the data gathered were extrapolated to reflect missing financial records and survey non-responses. Any grossing up was based on conservative assumptions consistent with the method used in the national Social Enterprise in Scotland Census 2015, based on the use of median values for particular sub-categories of social enterprises

3. Financial Analysis

Finally, an in-depth financial analysis was conducted of the annual accounts and the other financial data gathered to establish a set of financial ratios covering profitability, earned income, self-sufficiency, liquidity, reserves, assets, etc.

Defining Social Enterprise

The most commonly accepted definition of social enterprise in Scotland is set out in the five criteria
Social enterprises are driven by a common set of values and principles based on fairness, democracy, empowerment, collaboration and mutuality, which sets them apart from the private sector. Their entrepreneurial spirit and their ability to generate income through trading distinguish them from the voluntary sector.

11 http://www.se-code.net/VoluntaryCodeofPractice.pdf
2: Scale

The social enterprise sector contributes to the local economy on a significant scale and provides employment for many people in Argyll and Bute.

A Quick Headcount

Applying our definition of social enterprise to companies and charities has revealed there are 244 social enterprises that have their main base in Argyll and Bute. If we exclude Housing Associations and Credit Unions, the total is 235 social enterprises.

Size

Social enterprises come in many shapes and sizes. Most social enterprises in Argyll and Bute are small (43%) or medium (28%) in size with a turnover of less than £100K.

Cutting Across Sectors

Social enterprises are part of the third sector as well as the business community.

They differ from private sector businesses through their ethos, their social purpose alongside business objectives, the reinvestment of profits and an asset lock.

Social enterprises share much of the ethos and social purposes with the voluntary sector but differ from them by their entrepreneurial spirit and their desire to be financially independent.
Financial Power

The social enterprise sector makes a substantial contribution to the Argyll and Bute economy.

The sector has a combined income of almost £40.7m, a spending power of £38.7m and total assets of £15.1m.

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Total Spending</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>· £40.7m</td>
<td>· £38.7m</td>
<td>· £15.1m</td>
</tr>
</tbody>
</table>

Assets

Social enterprises in Argyll and Bute own a variety of assets. Four in five of surveyed social enterprises (82%) own their own equipment whilst more than half (53%) own premises. Almost a third (32%) owns land and 29% own a vehicle of some sorts.

Argyll and Bute social enterprise assets

A Significant Employer

The social enterprise sector supports an estimated 1,795 jobs, which makes it a serious generator of employment, comparable to sectors as transport, manufacturing and construction.

<table>
<thead>
<tr>
<th>Services</th>
<th>33,000 jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public administration, education &amp; health</td>
<td>12,800 jobs</td>
</tr>
<tr>
<td>Financial Services</td>
<td>5,400 jobs</td>
</tr>
<tr>
<td>Wholesale and Retail</td>
<td>4,500 jobs</td>
</tr>
<tr>
<td>Accommodation and Food</td>
<td>4,500 jobs</td>
</tr>
<tr>
<td>Construction</td>
<td>1,900 jobs</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,800 jobs</td>
</tr>
<tr>
<td>Social Enterprise</td>
<td>1,795 jobs</td>
</tr>
<tr>
<td>Transport</td>
<td>1,700 jobs</td>
</tr>
<tr>
<td>Agriculture and Mining</td>
<td>900 jobs</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>400 jobs</td>
</tr>
<tr>
<td>ICT</td>
<td>300 jobs</td>
</tr>
</tbody>
</table>

12 Employment figures for other sectors are from NOMIS Labour Market Profile – Argyll and Bute, Employee Jobs by Industry (2014).
Good Employers

Social enterprises aim to be good employers that promote equality, healthy working conditions and fair pay.

Although austerity measures and limited resources have affected social enterprises, over a quarter of social enterprises (27%) reported an increase in paid staff within their business. 54% stated there have been no recent changes in staff levels and 8% reported a decrease in paid staff.

The National Living Wage (NLW) is calculated annually by the Centre for Research in Social Policy (CRSP) at Loughborough University, based on what households need in order to have a minimum acceptable standard of living and includes things such as food, clothing, rent, council tax, fuel for heating homes and childcare (if applicable). The current NLW is £7.85 per hour (2015). Three out of four of the social enterprises (75%) in Argyll and Bute do pay at least the NLW which is favourable compared to the Scottish average of 68%.

Zero-hours contracts are contracts in which the employer is under no obligation to provide their employee with working hours or for employees to accept them. Just over one in ten social enterprises (11%) uses this form of contract which is slightly lower than the Scottish average of 12%.

Social enterprises are also championing gender diversity in the workplace with 63% of Argyll and Bute’s social enterprises most senior employee being female which is higher than the Scottish average of 60%.

Almost one in five social enterprises (18%) in Argyll and Bute now explicitly target recruitment at people or groups disadvantaged in the labour market. This can be people who are long-term unemployed, people with disabilities, older people or ex-offenders.

Volunteering

1,411 volunteers

£2,4m economic value
Social enterprises in Argyll and Bute often draw on considerable support from volunteers. Excluding board/committee members, there are an estimated 1,411 active volunteers that work in Argyll and Bute’s social enterprises.

The volunteers working within the Argyll and Bute social enterprise sector bring an estimated £2.4 million economic value to the area.

41% of social enterprises reported having an annual training budget that can be used towards staff and volunteers.

**Support for Social Enterprise**

A number of organisations such as ABSEN which has now merged with Argyll and Bute TSI exist to provide support and guidance for social enterprises across Argyll and Bute.

Almost three in five social enterprises (59%) surveyed have benefitted from ABSEN support in 2014-2015. A variety of other support agencies and bodies have also been accessed as demonstrated in the figure below.

**Percentage of social enterprises that have used support services**

Social enterprises in Argyll and Bute used ABSEN’s services for a variety of reasons. These have included help with training, funding alerts, networking support, volunteer recruitment and grant applications.

The vast majority of social enterprises (93%) who had received support from ABSEN reported that as a result of taking part in networks and forums they felt more connected with other organisations whilst 73% stated that ABSEN provides services and support that are appropriate for their organisation.

Almost two thirds (62%) of social enterprises reported that as a result of using ABSEN’s services they feel confident to develop their enterprise and feel their organisation is now better managed and/or delivers better services.

Social enterprises may need guidance with a mixture of issues and challenges throughout their lifespan. Some of the main training or support issues include marketing, staff training/development, funding and business growth/planning.

**Training/Support social enterprises would currently benefit from**

- Marketing
- Staff Training/Development
- Funding Bids/Fundraising
- Business/Growth Planning
- Contracts/Tenders/Procurement
- Social media
- Recruitment, Training & Retention of…
- Financial Management
- Legal Issues
- Management
- Governance
- Community Engagement
- E-commerce/IT
- Other
3: Structure

Social enterprise can come in a range of organisational types and legal structures.

Organisational Form

Social enterprises can come in many different shapes and sizes, but they tend to take a number of organisational forms. Some of these forms are dictated by legislation (e.g. housing associations, credit unions), others by business models (social firms, development trusts).

Legal Structures

There is no mandatory legal structure for social enterprises; therefore they come in many different guises. Over three quarters of social enterprises in Argyll in Bute are incorporated in some form (76%).
Charitable Status

Charitable status can be awarded by the Scottish Charity Regulator (OSCR) to organisations that have exclusively charitable purposes and exist to pursue public benefit. Almost three in four of the social enterprises in Argyll and Bute (71%), hold charitable status.

A Common Identity?

The term ‘social enterprise’ has a variety of meanings and definitions for different organisations and perhaps because of this, some do not identify as such.

It is also a relatively new term, and some organisations are simply more comfortable sticking to the language associated with their roots (e.g. a ‘charity’), business model (e.g. a ‘social firm’) or field of activity (e.g. a ‘social care provider’).

However, almost two-thirds of the organisations (65%) identified as social enterprises do classify themselves as such. This is favourable compared to earlier mapping studies in Fife (63%), Glasgow (53%) and Dundee (43%) and equal to the Scotland wide Social Enterprise Mapping Census 2015 (65%)\(^{16}\).

Age

Social enterprises in Argyll and Bute are relatively young with most establishing within the past fifteen years. This is younger than the rest of Scotland where the average age of social enterprises is 17 years old\(^ {17}\). Almost three quarters of Argyll and Bute social enterprises (74%) are less than 15 years old. Just over one in ten (11%) has existed for 55 years or longer.


4: Geography

Argyll and Bute is home to social enterprises that are tackling social need in the area, as well as those operating on a national or international level.

Coverage

Although some social enterprises only serve their local community, there is growing evidence that social enterprises are expanding to operate across a much wider area.

The vast majority of social enterprises (83%) are active in within Argyll and Bute, with almost half of them (49%) focusing on business and service provision for their local area. However, market horizons appear to be widening and a new wave of ambitious outward looking social enterprises are forming. 5% operate across local authorities, 3% across all of Scotland and almost one in ten (9%) are now trading in international markets.

Spread Across Argyll and Bute

Social enterprises in Argyll and Bute are quite evenly distributed throughout with small clusters of social enterprises residing in the mains areas of Helensburgh, Oban, Islay and Bute and Lochgoilhead.

This demonstrates the wide reach of social enterprise in Argyll and Bute and showcases the prevalence of social enterprise in rural areas.
5: Sectors

This section uses research from the surveys to demonstrate the variety of sectors that social enterprises in Argyll and Bute operate in.

Impact across Sectors

Social enterprises provide goods and services that tackle social, economic and environmental issues and thus strengthen communities and change lives.

Argyll and Bute’s social enterprises operate in a variety of sectors. Community centres and halls (19.7%), land, property and energy (13.9%), arts and creative industries (10.2%), manufacturing (8.2%) and childcare (7.8%) are the main sectors that social enterprises are most active in.

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Centres and Halls</td>
<td>19.7%</td>
</tr>
<tr>
<td>Land, Property and Energy</td>
<td>13.9%</td>
</tr>
<tr>
<td>Arts and Creative Industries</td>
<td>10.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.2%</td>
</tr>
<tr>
<td>Childcare</td>
<td>7.8%</td>
</tr>
<tr>
<td>Health and Social Care</td>
<td>7.0%</td>
</tr>
<tr>
<td>Sport and Leisure</td>
<td>5.7%</td>
</tr>
<tr>
<td>Tourism and Heritage</td>
<td>5.7%</td>
</tr>
<tr>
<td>Environment and recycling</td>
<td>4.5%</td>
</tr>
<tr>
<td>Housing</td>
<td>3.7%</td>
</tr>
<tr>
<td>Retailing</td>
<td>3.7%</td>
</tr>
<tr>
<td>Information, Consultancy and Support</td>
<td>3.3%</td>
</tr>
<tr>
<td>Transport</td>
<td>2.0%</td>
</tr>
<tr>
<td>Food, Catering &amp; Hospitality</td>
<td>1.6%</td>
</tr>
<tr>
<td>Education, Training and Employment</td>
<td>1.2%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Note: Percentages may not add up to 100% due to rounding.

Over half (52%) of social enterprises in Argyll and Bute aim to facilitate people to actively participate in the local community whilst 46% focus on providing volunteering opportunities.

Social enterprises are also keen to improve health and wellbeing as well as create employment opportunities within Argyll and Bute. Promoting rural development is also considered an important objective for social enterprises as is the promotion of cultural engagement.

Top six main social and/or environmental objectives

- Facilitating people to actively participate in local community: 52%
- Providing volunteering opportunities: 46%
- Improving health and wellbeing: 45%
- Promoting rural development: 41%
- Creating employment opportunities: 41%
- Promoting cultural engagement: 39%

Multiple Customer Groups

Social enterprises in Argyll and Bute serve multiple customer groups. Over half (53%) are providing services and trading with the public sector, whilst one in two (50%) are servicing the private sector and over a third (37%) provide goods or services to the third sector. Almost three-quarters (74%) offer provisions and services to the general public.

Main Objectives

Social enterprises may operate to address a mixture of social and environmental objectives.
Social Enterprise in Argyll and Bute 2015

Bridging Market Gaps

Social enterprises can fill a niche market and provide services that may not be available in the private or public sector. When asked who would provide services if you were unavailable, approximately 69% of social enterprises in Argyll and Bute answered no one. This suggests that social enterprises are operating within gaps in the market.

One in seven social enterprises (13.7%) stated that either the public or private sector would provide the goods and services if they could not operate whilst approximately 4% responded that another social enterprise would take their place.

If your organisation was not operating, who do you think would provide the goods and services that you currently offer?

Housing and Regeneration

Housing associations or Registered Social Landlords (RSLs) are among the larger and more established social enterprises. There are six RSLs based in Argyll and Bute.

Apart from offering affordable houses for social rent RSLs usually also deliver other community and regeneration services.

Housing associations are a major provider of employment, make a healthy surplus and are asset rich.

Because their large size and economic impact Housing Associations are excluded from any financial analysis in this study to provide a more realistic picture of the sector (unless otherwise stated).
6: Trading

Social enterprises can operate in almost any part of the economy and aspire to be financially independent through trading.

Trading for Good

Social enterprises differ from the rest of the third sector by trading. This can be through selling goods or providing services directly to the public or by delivering contracts or Service Level Agreements for public or other agencies. In total the sector earns an estimated £14.6m per year from trading.

Total income of the social enterprises in Argyll and Bute is estimated at £40.7m whilst expenditure is approximately £38.7m. The total profit is therefore thought to be around £2m.

Social enterprises strive to become largely self-sufficient through trading, but in practice few operate without some level of income from grants. On average the social enterprises in Argyll and Bute get just over half of their income (51.4%) from trading.

Enterprise Lifecycle

The income and trading totals of social enterprises may fluctuate throughout their lifecycle and will differ depending on what stage of development they are at.

Social enterprises in Argyll and Bute are continuing on their journey towards becoming more independent through trading (attempting to earning income, generating surpluses and building financial reserves).

Marketing

Social enterprises in Argyll and Bute are actively involved in marketing and promoting their goods and services. Almost nine out of ten surveyed social enterprises use social media as a form of marketing with Facebook, Twitter LinkedIn and own websites being popular mediums.

Do you/your organisation make use of social media to promote your business?

- Yes 88%
- No 12%
7. Financial Strength

A successful social enterprise needs to be a successful business in the first place. The sector needs to be financially viable in the short term and sustainable in the longer term (ratios are exclusive of RSLs).

Profitability

Social enterprises need to make profit to stay afloat and further their social mission.

In the last year the sector made a profit of just over £2m (including housing associations there was a profit of £7.6m).

The overall profitability ratio of the sector was a healthy 5.1% which is higher than the Scottish average of 4.4%.

The Cost of Staffing

For many social enterprises, staffing is the largest expense. Currently social enterprises in Argyll and Bute spend just over half of their expenditure on salaries for their employees.

Liquidity

Liquidity is an important measure of financial health. It expresses the ability of the business to pay its short-term debts out of its current assets. The Current Ratio of 3.8 shows that the social enterprise sector is reasonably healthy at the short-term (1 year).

The short term financial stability is also affected by the ability to collect outstanding invoices, which is 33 days on average.

---

Fixed assets take longer to convert into cash (e.g., property, equipment) and long-term liabilities are those amounts due over more than 12 months.

The net assets of the sector amount to £42.4m (including housing associations £64.8m).

**Self-sufficiency**

Social enterprises are aiming to become self-sufficient through trading. However, most social enterprises still depend on a mixture of income streams, including earned income, grant funding and other income such as interest, donations, legacies, etc.

The sector receives £14.6 income through trading per year.

The sector is still reliable on grant funding for about 45% of what it needs.
Financial Sustainability

Surplus income from trading can be added to the reserves and be used for investments in the future or to keep as a buffer for bad times. The Survival Ratio shows that the sector has built up some reserves and can survive just over half a year without earning any income.\(^\text{19}\).

Summary

The social enterprise sector in Argyll and Bute is looking quite healthy. The sector makes a profit and short term debts are well covered by current assets.

However, in comparison to the national sector as a whole, Argyll in Bute has some way to go in developing their income from trading. The self-sufficiency ratio for Argyll and Bute of 37.8% is somewhat behind the Scottish average of 67.9%\(^\text{20}\) and with a grant reliance ratio of 44.5% social enterprises in Argyll and Bute relying more on grants than the national average of 31.5%\(^\text{21}\).

\(^\text{19}\) Please note that this ratio refers to the whole sector and does not tell anything about individual organisations.


8: Looking Forward

Social enterprises operate in the real world and are not immune to the economic downturn and austerity measures. This section draws on the survey responses of a sample of 81 social enterprises.

The Impact of the Economy

The recent economic downturn has had a varied effect on the sector. For some it had highly negative consequences, for others there were opportunities.

For almost a quarter of the social enterprises in Argyll and Bute (23%), the economic downturn had a negative impact on their business. However, almost half of social enterprises (46%) were unaffected whilst over one in ten (11%) experienced a positive effect. A fifth (20%) were unsure of the effect as of yet.

Barriers to Growth

There appear to be several restricting features that hold back growth for social enterprises. The main barrier reported by social enterprises (62%) in Argyll and Bute was a lack of time or a capacity to develop trading potential. Almost half of the social enterprises (49%) found insecure or declining grant funding to be an issue whilst two in five (40%) reported increasing costs as a negative impact.

Cash flow difficulties and a difficult market or trading conditions have been a particular obstacle for almost a third of social enterprises (31%) and over one in four (27%) stated public awareness or preconceptions of social enterprises was a barrier. One in five social enterprises (20%) identified that competition within the market was limiting their development.

Future Expectations

Even though Scotland is still feeling the effect of the recent economic recession and the effects of austerity,
there are some encouraging expectations for the future. The sector expects demand and income to rise and social enterprises are very much open to further collaboration.