



Futurebuilders Scotland

Investing in the Social Economy



SCOTTISH EXECUTIVE

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Scottish Executive
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Foreword

The Social Economy Review (the *Review*), which we published in 2003, affirmed the Scottish Executive's commitment to develop the social economy as a service provider. Our priority for improving the range and quality of public service delivery means a role for the public, for-profit and social economy sectors. The *Review* envisaged more social economy organisations taking on service delivery, more diversification, and a culture of continuous improvement in service quality.

The *Review* set out the framework for strengthening the social economy – and Futurebuilders Scotland is an £18 million investment to translate these strategic objectives into practical action. We recognise the diverse roles played by the social economy in addressing regeneration as its organisations develop their communities, help to develop young people, and contribute to our strategic objective of Closing the Opportunity Gap. Futurebuilders Scotland funding will concentrate on these areas.

We recognise the added value that the sector brings to the delivery of public services. Social economy organisations have a real understanding of the area in which they operate. They are flexible and able to innovate. The social economy in Scotland is becoming much more business-like in its approach to service delivery – and this is helping some organisations to generate significant profits on some of their services. Some might call them not-for-profit businesses. But we see them as more-than-profit organisations – they invest in the communities they serve.

In particular, we believe that:

- There is scope for the social economy to increase its contribution to the social and economic well-being of Scotland.
- Social economy organisations are particularly effective in working with excluded and disadvantaged people.
- The social economy should be encouraged to help tackle poverty and deprivation wherever it exists.

So the social economy has a crucial role in our agenda of Closing the Opportunity Gap.

Scottish Ministers are keen to encourage a social economy sector in Scotland that delivers the services all Scots deserve. We want to see strong, sustainable organisations that generate a substantial portion of their income through service delivery. **We want to develop the social economy organisations of the future – organisations with the track record, skill set and capacity for growth that equips them to deliver services in areas where the need is greatest.**



Margaret Curran, MSP
Minister for Communities

Introduction

1. The Scottish Executive published its Social Economy Review (the *Review*) in January 2003. The *Review* recognised the importance of the social economy in the delivery of better public services, identified a number of issues that affect the sector and set out a framework in which the Executive would respond to these. Futurebuilders Scotland includes a number of key elements of that response.
2. The *Review* recognised that the social economy is active in many areas that contribute to the Executive's strategic objectives. The social economy is often at the forefront of developing innovative services in areas such as child care, health care and housing that help to close the opportunity gap and contribute to community regeneration.
3. A central element of the *Review* was the proposal that the Executive's strategy for the social economy should focus on areas where there is potential for the delivery of Executive priorities to be enhanced by greater involvement of social economy organisations. The Executive has concluded that these areas – around which the Futurebuilders Scotland programme has been developed – are:
 - Closing the Opportunity Gap;
 - Community regeneration; and
 - Support and development of young people.
4. The *Review* also recognised the need to encourage social economy organisations to operate in a more business-like way, and to help them reduce their dependence on grant funding. Futurebuilders Scotland focuses on helping social economy organisations to move towards sustainability by developing income from delivery of services consistent with the priorities outlined above.

The Broader Policy Framework

5. Futurebuilders Scotland forms a central part of an integrated set of measures being introduced by the Executive to help sustain and develop the social economy, the voluntary sector and charities. The main elements of this programme are:
 - **Charity law reform** – which will help to restore public confidence in charitable giving by developing a new statutory charities regulator which will operate within a transparent legal framework.
 - **The Volunteering Strategy** – which assists volunteer-dependent organisations (many of which are active in the social economy) by supporting the work of volunteers and those who work with volunteers.
 - **The Strategic Funding Review of the voluntary sector** – which will identify ways of increasing the sustainability of voluntary organisations by adjusting the funding environment within which the voluntary sector and social economy operates.

Futurebuilders Scotland

6. There are key roles for Communities Scotland in encouraging Registered Social Landlords to carry out a wide range of activities in support of the social economy beyond their housing function; and Social Investment Scotland in helping to stimulate enterprise and wealth creation through the development of loan schemes for the social economy.
7. Community Planning provides another important contextual element of the framework to breathe life back into disadvantaged communities. The Scottish Index of Multiple Deprivation 2004 provides the information we need to target support where it is needed most. These will help inform Regeneration Outcome Agreements which will outline the most effective way of making a difference where it matters most. Social economy organisations, backed by Futurebuilders Scotland, will play an increasingly important role in delivering change resulting from these local processes. Futurebuilders Scotland will therefore help social economy organisations to be key partners in taking forward community regeneration.
8. The Scottish Executive is strongly committed to Closing the Opportunity Gap, which has the following key objectives:
 - To increase the chances of sustained employment for vulnerable and disadvantaged groups.
 - To improve the confidence and skills of the most disadvantaged children and young people.
 - To reduce the vulnerability of low income families to financial exclusion and multiple debt.
 - To regenerate the most disadvantaged neighbourhoods.
 - To reduce the gap between the health status of people living in affluent and more deprived communities.
 - To improve access to high quality services for the most disadvantaged groups and individuals in rural communities.
9. The measures, context and objectives described above, along with our commitment to building strong, safe communities, and to ensuring that the young people of Scotland have the opportunity to develop into fulfilled and confident adults, set out the background against which Futurebuilders Scotland has been developed. We believe that the social economy has a key role to play in helping us deliver in these areas.

FUTUREBUILDERS SCOTLAND

10. Futurebuilders Scotland is an £18 million investment in the social economy to run over the financial years 2004-05 and 2005-06. Its purpose is to extend and strengthen the role of the social economy sector in delivering better public services. It consists of a £16 million Direct Investment Fund, which is underpinned by £1 million training fund and a £1 million support programme.
11. The Direct Investment Fund will invest £16 million directly in social economy organisations delivering services to the public. It will be split into two sections:
 - a £12 million Investment Fund which will award grants to medium to large sized social economy organisations that have established a reputation as service providers. This is designed to encourage capital investment and to encourage them to operate in a more business-like fashion, helping them to develop their financial sustainability; and
 - a £4 million Seedcorn Fund which will award grants to emerging organisations to develop new ideas and enlarge existing schemes that will contribute to their growth and sustainability. It will include a programme of small grants which will encourage new social entrepreneurs to turn local ideas into live projects.
12. The £1 million Training Fund will provide people managing or working in social economy organisations with opportunities to access high quality mainstream learning opportunities to develop the business, financial management and related skills they need to grow their organisations successfully and sustainably. It will also be used to develop new learning products appropriate to all those who work in the social economy.
13. The £1 million support fund will aim to improve the effectiveness of the various support services which underpin the growth of the social economy and improve the ability of social economy organisations to access new skills and markets.
14. Reflecting the diversity of the social economy, Futurebuilders Scotland will operate across all main portfolio areas of the Scottish Executive. However, **priority will be given to projects which clearly demonstrate how they will contribute to closing the opportunity gap, to economic and social regeneration, or to supporting the development of young people.** These are all areas where the social economy in Scotland is traditionally strong and where the Executive wants to encourage the development of vibrant, dynamic and sustainable services.

Direct Investment Funds

15. The UK Government conducted a cross-cutting review to explore how devolved administrations, central and local government across the UK could work more effectively with the voluntary sector. The review confirmed that a modern and dynamic social economy has a key role to play in public service delivery and laid the foundations of a new framework for service delivery between the government and the social economy.
16. The UK review identified several obstacles and challenges that need to be overcome to enable the sector to develop its public service delivery role. These included the following development needs which apply equally within a Scottish context:
 - planning and development of services, including contracting;
 - reconfiguring existing services;
 - developing different ways of working with other organisations; and
 - attracting, recruiting and retaining the right skills mix within organisations.
17. A key obstacle to achieving this is the general lack of capital investment in the sector. This is reinforced by a lack of flexible funding and lack of access to development funds. This is particularly true for smaller organisations. This currently limits the sector's ability to develop a wider range of services and adapt to the public service delivery agenda. The Investment and Seedcorn Funds are intended to address these issues.

Futurebuilders Scotland Investment Fund

18. This Fund will target medium to large social economy organisations across Scotland. It aims to encourage capital investment, support the sector in developing alternative and additional income streams by being better able to deliver modern and effective public services. Priority will be given to applications which deliver specific outcomes under one or more of the three objectives of closing the opportunity gap, community regeneration and developing young people. This Fund will invest in organisations that can demonstrate how they will generate sufficient income to develop or enhance their financial sustainability. **We want to develop the social enterprises of the future – well run, business-like organisations with the track record, skill set and capacity for growth that will enable them to bid successfully for substantial service delivery contracts.**
19. The minimum investment by this fund is £25,000. Proposals would need to be exceptional and demonstrate real long-term benefits for investments in excess of £500,000 to be considered. Bids can be made for a single sum of money within a particular financial year, or for projects straddling the financial years 2004-05 and 2005-06.

20. Social economy organisations have clearly identified requirements to develop their asset base to both increase their stability and to give access to new forms of funding. We therefore intend that at least 70% of this fund should be devoted to capital investment projects. The development of an asset base will not only help organisations to gain access to alternative sources of funding in the future; it will also be key in enabling organisations develop sustainable services.
22. Proposals for seedcorn funding will be informed by existing and emerging social economy partnerships. We intend that there will be social economy partnerships – established through existing resources – covering each local authority area. These partnerships bring together all the key local agencies with a remit to support the sector – such as Councils of Voluntary Service, Local Enterprise Companies and local authorities. Each partnership will establish links to existing local Community Planning and Economic partnerships. Their remit is to support the growth of the social economy including improving co-operation across partners, facilitating local networking, strengthening the range of locally-available support and unlocking market opportunities for new and existing social economy organisations.

Seedcorn Fund

21. The social economy can help to deliver our regeneration objectives and can play a significant role in closing the opportunity gap, particularly in the areas of enhancing employability and reducing economic inactivity. We recognise the key role that smaller-scale, community-focused social economy organisations can have in the regeneration of disadvantaged areas but we also want to encourage a longer-term flow of suppliers and social entrepreneurs and to encourage the movement of these organisations “up the scale”. The Seedcorn Fund, with its emphasis on enterprise and sustainability, will allow us to harness the entrepreneurial potential that exists within disadvantaged communities but that often goes untapped.
23. Grants of up to £25,000 will be available directly to social economy organisations to develop new ideas and expand their trading potential. This could cover providing customised business advice and guidance – reflecting the additional support that some disadvantaged groups may require to fulfil their potential.
24. The Seedcorn Fund will also include a Social Entrepreneurs Fund which will make grants of up to £5,000, to enable individual entrepreneurs to develop ideas into new projects. The fund will prioritise encouraging and supporting young entrepreneurs.

Training Fund

25. The consultation showed that there were 2 important areas of need:
- First, people need access to the learning opportunities already available which are as relevant for the social economy as they are for other forms of business – for example in the fields of finance, human resources and marketing. But it can be difficult for a social economy organisation to set aside funds for training.
 - There are very few learning or training opportunities which are specifically tailored to the development needs of individuals working in, or providing leadership to, the social economy.
26. We therefore propose to establish a training fund to contribute to the costs of learning. We propose to offer funding of up to £2,000 per person, with the expectation that the organisation or individual will also make a contribution towards the cost of training. We will expect the training to be relevant and accredited – but we will not limit our support to courses requiring substantial time commitment.
27. We also want to use this part of the fund to ensure that all those who work in the social economy have access to appropriate learning opportunities. The *Review* process identified a need to align the provision of learning more closely with the development requirements of individuals working in and around the social economy – those already leading organisations and those with the potential, drive and desire to develop their

entrepreneurial talents. We will therefore work with, and influence, new and existing learning providers, to develop new learning products relevant to the social economy.

Support Programme

28. The *Review* recognised the need to develop appropriate support arrangements for the social economy. This is even more important when set against the context of the new investments being made in the sector through Futurebuilders Scotland, which is why we are investing £1 million through the Support Programme. Through this we want to improve the effectiveness of the various support services which underpin the growth of the social economy and improve the ability of social economy organisations to access new skills and markets.
29. Support for the social economy has traditionally been seen as the province of specialist agencies. The inclusion of the social economy within the Enterprise Networks' business service priorities, and Communities Scotland's mainstreaming of its social economy work across the range of its activities, will add to the level of support available. But research indicates that social economy organisations access support from a much wider range of sources, including the private sector, local authorities, trade and sector bodies, and colleague organisations. We will build on this, to ensure the right support is available and accessible to the right organisations, through the establishment of new local social economy partnerships.

30. We expect these partnerships, building on, and learning from, work already underway in the Highlands and Islands, Lanarkshire, Dunbartonshire and the south of Scotland, to agree a remit covering the full breadth of social economic activity, including improving co-ordination across partner activity; strengthening the range of locally-available support and filling gaps; helping to unlock local market opportunities; and strengthening local arrangements. Some partnerships already exist, but where they do not Communities Scotland area offices will have a leading role in helping to establish new local partnership arrangements. The subsequent allocation of tasks and responsibilities within each partnership will be for its constituent members to determine.
31. There is evidence of social economy organisations helping each other in their organisational development and supporting new initiatives within their communities. There is considerable interest in establishing frameworks to promote the exchange of experience within the sector – and with the for-profit or public sectors. This approach will provide a valuable addition to the stock of know-how available to help organisations develop. We will develop an Exchange programme which will provide three levels of support – a web-based database of available support, a personal response service and active accounts matching specialist support direct to organisations. The first two services will be established in the autumn with active accounts in operation by the end of 2004.
32. A key feature is the need to help social economy organisations gain equal access to service delivery contracts. There is a perception in some quarters that social economy organisations may lack the expertise necessary to secure public service contracts. We need to help the social economy work to overcome this perception, while also being able to demonstrate the relevant added value it brings.
33. We will therefore develop a number of guides and tools including:
- a *procurement guide* has been developed, in partnership with the EQUAL Programme to help organisations be more effective in securing service delivery contracts;
 - *organisational development* tools will be adapted by the Enterprise Networks for use by the social economy;
 - *guide to social added value* to help social economy organisations quantify the added value that they generate;
 - a *database of service delivery opportunities* will be developed to provide social economy organisations with information on local, regional and national service delivery opportunities; and
 - a *commissioners guide* will be developed to enhance service commissioners' understanding of the social economy – mirroring the procurement guide for social economy organisations.

34. Futurebuilders Scotland offers scope to add to our understanding of the social economy as we gather further information on its organisations and their activities. We need to manage this flow and feed it into a wider programme of research and intelligence-sharing. This research will be particularly important in helping to identify key future markets for social economy organisations. This in turn will help to inform future support for the sector in order that it can continue to deliver better public services. We plan to develop a robust and coherent framework of research.

35. We will also explore the scope for developing new sources of income for the sector and encourage a more enterprising outlook in the sector in order that social economy organisations are actively seeking such funding. We will look at the sector's asset base and how the value of those assets might be realised. We will review the scope for innovative funding arrangements and corporate investment and we will also continue our dialogue with the financial institutions to ensure that available financial products are sufficiently flexible to support viable social economy activity.

Key Outcomes

36. Our key objective is that over the period of implementation, 500 social economy organisations will develop their service delivery activities in **areas of direct relevance to the delivery of Executive priorities**. That is our key objective, but we will in addition track the following:

- Increase in number of tenders for public service delivery.

- Increase in number of organisations taking on a specific public service delivery contracts for the first time.
- The creation of new employment or development opportunities (particularly for young people and individuals furthest from employment within the sector).
- The uptake of training opportunities.
- Increase in accredited qualifications.
- Number and value of community assets.

Management Arrangements

37. We will establish a Social Economy Unit in Communities Scotland to bring together social economy development, the wider role of Registered Social Landlords, and community asset development – and that Unit will manage the Investment Fund. The Unit will draw on the experience and services of relevant partner organisations, and will be overseen by an Advisory Board on which the third sector will have strong representation.
38. Further details of the management arrangements will be published shortly.

Next Steps

39. We expect all strands of Futurebuilders Scotland to be operational by **the end of 2004**. Subject to agreement with potential co-investors, detailed application guidance for potential applicants to Futurebuilders Scotland funding will be available in Autumn 2004. Investments can be drawn down over the 2004/05 and 2005/06 financial years.
40. A more detailed timetable for the application process will be published once the management arrangements have been finalised.

ANNEX 1

Futurebuilders Scotland – breakdown of expenditure

The tables below show the sums of money allocated to the Investment Fund, the Training Fund and the Support Programme. The annual expenditure profiles are indicative at this stage and actual expenditure by year will depend on the bids received, and the precise requirements that emerge within the Support Programme.

Direct Investment Funds			
	Year 1	Year 2	Total
Investment Fund	4,000,000	8,000,000	12,000,000
Seedcorn Fund	1,500,000	2,500,000	4,000,000
Total	5,500,000	10,500,000	16,000,000

Training Fund			
	Year 1	Year 2	Total
Training Fund	400,000	400,000	800,000
New learning products	100,000	100,000	200,000
Total	500,000	500,000	1,000,000

Support Programme			
	Year 1	Year 2	Total
Exchange and mentoring	100,000	100,000	200,000
Developing tools	100,000	200,000	300,000
Improving knowledge	150,000	250,000	400,000
Developing new income sources	50,000	50,000	100,000
Total	400,000	600,000	1,000,000

Totals			
	Year 1	Year 2	Total
Direct Investment Fund	5,500,000	10,500,000	16,000,000
Training Fund	500,000	500,000	1,000,000
Support Programme	400,000	600,000	1,000,000
Total	6,400,000	11,600,000	18,000,000

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