



# **Third Sector Enterprise Fund & Third Sector Credit Union Fund**

## **Information and Guidance for Applicants**

May 2009

This document can be translated on request into your community language, or can be made available on request in large print, Braille or audio cassette/other formats. Please contact Scottish Government, Third Sector Division, telephone number 0131 244 3540

# Contents

	Page
Before you apply .....	1
Introduction .....	1
How much is available? .....	2
What will the Funds support? .....	2
What will the Funds not support? .....	3
Other key points about the Funds .....	3
VAT .....	4
State aid .....	4
Eligibility .....	4
Assessment criteria .....	5
The application .....	7
Appraisal process .....	8
How to apply .....	9
Annex A: Third Sector Enterprise Fund - Application Process	

## Before you apply

Please read the following documents before completing your application:

- Third Sector Enterprise Fund Investment Strategy 2008-2011
- Information and Guidance for Applicants
- Frequently Asked Questions (FAQs)
- Application Form
- Application Form Help Notes

The above documents are available at:

[www.scotland.gov.uk/Topics/People/15300/funding/enterprising-skills-fund](http://www.scotland.gov.uk/Topics/People/15300/funding/enterprising-skills-fund).

**Please ensure that your application for funding addresses the purpose of the Fund, meets the investment criteria and its priorities and the applicant organisation meets the eligibility requirements.**

If you have any queries please contact the Enterprise Fund Administrator on 0131 244 3540

## Introduction

The Scottish Government has been clear from the outset that it wants to take a strategic approach to government with a focus on outcomes. We are focusing all of government and public services on a single, over-arching purpose:

*“to create a more successful country, with opportunities for all Scotland to flourish, through increasing sustainable economic growth.”*

The Scottish Government established a National Performance Framework, published in the Spending Review 2007, to underpin delivery of this purpose. You can view the National Performance Framework at:- [www.scotland.gov.uk/About/scotPerforms](http://www.scotland.gov.uk/About/scotPerforms)

As part of this commitment the Scottish Government has launched the Third Sector Enterprise Fund. This provides an investment in the Third Sector of £12m between 2009 and 2011. The Enterprise Fund will help established third sector organisations to make a transformational step change towards building capacity, capability and financial sustainability. This will support and encourage a strong and active third sector to reach its potential and make a key contribution to the [National Outcomes](#) of the Scottish Government.

We have set aside £250,000 from the £12m Enterprise Fund especially for established Credit Unions. This will help Credit Unions to increase their capacity, capability and financial sustainability.

We will contribute between £2,500 and £25,000 to proposals from Credit Unions. However, Credit Unions who require more than this, will be considered for support from the main Third Sector Enterprise Fund. Both Funds aim to support ambitious third sector organisations that wish to operate in a business-like and enterprising way, with a view to achieving increased sustainability. Both capital and revenue funding will be available. The Funds will focus on supporting enterprise in the third sector rather than project funding.

The Funds will help to increase enterprise in the third sector through:

- Development of enterprise business models to increase income generation and financial sustainability;
- Organisational development and capacity building - including operations, workforce development, skills utilisation, marketing and business development, workplace changes or re-organisation, governance and financial controls;
- Innovation to improve business and service efficiency and growth potential.

## **How much is available?**

£12 million is available from April 2009-March 2011.

### **Enterprise Fund**

- The minimum award is £25,000;
- The maximum award is £100,000;
- Applications for £70,000 or more must be supported by a business plan.

### **Credit Union Fund**

- The minimum award is £2,500;
- The maximum award is £25,000.

## **What will the Funds support?**

The Funds aim to secure a transformational step change in organisational capacity, capability and financial sustainability. The Funds will invest in activities that will build this in areas such as:

- Operations (relating to business development needs);
- Skills and skills utilisation;
- Marketing and business development;
- Governance and financial controls;
- Plant and machinery;
- Buildings.

## What will the Funds not support?

The following are not eligible for the Funds:-

- Organisations that are insolvent or at risk of insolvency;
- Unincorporated associations;
- Activities that support beneficiaries who live outside Scotland;
- Organisations that are in the process of accessing, or have already accessed, the [Scottish Investment Fund](#);
- Proposals that seek to replace existing debt finance;
- Core functions of third sector organisations, support bodies and intermediaries;
- Housing construction and management operations of Registered Social Landlords (RSLs) – however, in line with the general eligibility criteria, RSL owned subsidiary social enterprise trading companies with a legal personality are eligible. It is also possible for RSLs to be part of consortium or partnership applications;
- Proposals that relate to the on-going delivery costs of services or projects, i.e., costs related to the existing day-to-day running of the organisation, rather than activity which will positively impact on the organisation in relation to increasing capacity, capability and sustainability;
- Proposals that would normally be funded by commercial loan finance or other funding sources.

## Other key points about the Funds

- We will welcome proposals from two or more third sector organisations working together in partnership;
- We will consider applications from subsidiaries of third sector intermediary organisations where the subsidiary has its own separate legal personality;
- New enterprising activities of third sector intermediary organisations will also be considered;
- Applications can include a mix of capital and revenue funding;
- We normally make payments supported by evidence of expenditure. However, it may be possible to consider working capital where a clear need for this can be demonstrated. If you think you might need working capital, you will need to provide full details in your application;
- We will not fund retrospectively. This means we can't pay for any expenditure incurred before a formal offer of grant has been issued and accepted;
- Depending on the information submitted in your application and supporting documents, we may ask for a copy of your business plan, even if your application is less than £70,000.
- If you are successful you must claim all funding by 31 March 2011.

## VAT

If your organisation is eligible to reclaim VAT, the amount of funding you ask for must exclude VAT. The Scottish Government will not support VAT costs where these can be reclaimed.

## State aid

State aid is a European Commission term which refers to forms of assistance from a public body, or publicly funded body, given to undertakings on a discretionary basis, with the potential to distort competition and affect trade between member states of the European Union. The 'State aid rules' are set out by the European Commission.

Public funding to a single recipient of up to 200,000 euros over any 3 year fiscal period does not require notification.

The Scottish Government is unable to invest in proposals that would breach the 200,000 euro ceiling over any 3 year fiscal period.

It is the applicant's responsibility to ensure that it complies with EC State aid rules.

Further information on State aid is available at:

[www.stateaidscotland.gov.uk/state\\_aid/SA\\_HomeView.jsp?p\\_applic=CCC&p\\_service=Content.show&pContentID=323&](http://www.stateaidscotland.gov.uk/state_aid/SA_HomeView.jsp?p_applic=CCC&p_service=Content.show&pContentID=323&)

## Eligibility

Organisations applying to the Enterprise Fund are expected to be at an earlier stage of development than those who would meet the eligibility criteria for the Scottish Investment Fund.

Credit Unions who wish to apply must be established Scottish credit unions and fully comply with all relevant FSA requirements.

Organisations applying to the fund must:

- Be established third sector organisations with an appropriate legal personality, who reinvest surpluses for a social purpose;
- Be located or operating/trading in Scotland – this could however include UK based organisations working with Scottish beneficiaries;
- Have appropriate management and governance arrangements in place to support our investment.

The following are **not** eligible for the fund:

- Organisations that are insolvent or at risk of insolvency;
- Unincorporated organisations;
- Activities that support beneficiaries who live outside Scotland;
- Organisations that are in the process of accessing, or have already accessed, the Scottish Investment Fund.

The Fund will focus on supporting organisations that want to operate in an enterprising way, therefore proposals for funding should clearly demonstrate “enterprising activity”.

In determining whether to support a proposal for investment, we will consider two main criteria:

- Criteria 1: the outcomes for Scotland realised by our investment;
- Criteria 2: the organisational potential realised by our investment.

In addition, the initial priorities for our investment are:

- Employability;
- Environmental action;
- The underlying causes of health inequality.

Applicants must be able to demonstrate how our investment will help to make a transformational step change in their organisation’s capacity, capability and/or financial sustainability. They must also provide clear evidence of how they expect our investment to contribute towards improved outcomes.

## **Assessment criteria**

All applications will be assessed against the same two investment criteria which also apply to the Scottish Investment Fund:

### **Criteria 1: The outcomes for Scotland realised by our investment**

The Fund will invest in third sector organisations that contribute to the achievement of one or more of the Scottish Government’s 15 National Outcomes outlined below:

- We live in a Scotland that is the most attractive place for doing business in Europe;
- We realise our full economic potential with more and better employment opportunities for our people;
- We are better educated, more skilled and more successful, renowned for our research and innovation;
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens;

- Our children have the best start in life and are ready to succeed;
- We live longer, healthier lives;
- We have tackled the significant inequalities in Scottish society;
- We have improved the life chances for children, young people and families at risk;
- We live our lives safe from crime, disorder and danger;
- We live in well-designed, sustainable places where we are able to access the amenities and services we need;
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others;
- We value and enjoy our built and natural environment and protect it and enhance it for future generations;
- We take pride in a strong, fair and inclusive national identity;
- We reduce the local and global environmental impact of our consumption and production;
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

In many cases third sector organisations can contribute to these outcomes in multiple ways. For example, through recycling organisations that also contribute to employability; working with young people who have not had the chances their peers have had in life or people who are homeless; providing opportunities for people with a disability or other disadvantage to enter the labour market or tackling the underlying causes of health inequality such as lack of a good start in life for children, unemployment or low income or poor physical environments.

## **Criteria 2: The organisational potential realised by our investment**

The fund will aim to secure a transformational step change in an organisation's capacity, capability and financial sustainability. Applicants should outline what the funding will be used for and why the work is necessary.

The other assessment criteria will be:

- The applicant can demonstrate the potential to achieve sustainability as a result of our investment;
- The applicant can demonstrate an increase in its contribution towards at least one of the Scottish Government's 15 [National Outcomes](#);
- There is evidence that there is an effective monitoring and evaluation system in place;
- The organisation has considered how it will take forward or sustain the changes made once Scottish Government funding comes to an end;
- The amount of Enterprise Fund grant requested is appropriate and demonstrates value for money.

## The application

### Timescale for applications

The Third Sector Enterprise Fund and the Third Sector Credit Union Fund will remain open until the £12 million has been committed. We expect to make awards from both funds throughout 2009, however all awards must be claimed by 31 March 2011. We will publish regular updates on how much funding we have awarded on our website (see first link under “Before You Apply”).

### The applicant

We anticipate that most applications will be from individual third sector organisations. However, consortium or partnership applications from two or more third sector organisations are also welcome. In this instance the partners need to agree an eligible lead organisation who will be responsible for completing the application on behalf of the partnership or consortium. We also ask for information about all the partner organisations and their individual roles in the proposal. The lead partner must explain how any grant will be managed and distributed amongst the other partners. Applications for more than £70,000 must be supported by a business plan.

### The business plan

A good business plan should be forward looking, for at least two years, and include an outline of the new development activity for which you are applying to the Enterprise Fund, and the likely effects, impacts and changes anticipated as a result of the investment. The business plan may also include:

- **Executive summary:** an overview of the business you want to start.
- **A short description of the business opportunity (including market research):** who you are, what you plan to sell or offer, why and to whom.
- **Marketing and sales strategy:** why you think people will buy what you want to sell or offer and how you plan to sell/market your activity.
- **Management team and personnel:** your credentials and the people you plan to recruit to work with you and your clients.
- **Operations:** your premises, production facilities, management information systems and IT.
- **Financial forecasts:** this section should translate everything you have said in the previous sections into numbers, for at least the next 3 years.

[Business Gateway](#) and [Aspire to Enterprise](#) offer support in preparing business plans as part of their free service. [CEiS](#) may also be able to help you and you may know of other local organisations that offer this service.

## **Demonstrating market opportunities and need**

You must be familiar with the market you operate in. We want you to tell us about the need for your proposal and details about the work of your competitors. How will your organisation complement or contribute new services or products to what already exists? Are you sure there is a demand for your proposed activity and that you are not duplicating existing services? We cannot support proposals that will result in displacement.

## **Building your capacity, capability and/or financial sustainability**

Outcomes are the changes and effects that actually happen as a result of the investment. Primarily we are interested in ensuring a transformational step change towards building the capacity, capability and/or financial sustainability within third sector organisations. In addition we are looking for proposals that clearly demonstrate a contribution towards addressing at least one of Scottish Government's 15 [National Outcomes](#).

If your application is successful, you will be responsible for monitoring and reporting the progress you are making towards the outcomes you have identified for your organisation and in relation to Scottish Government National Outcomes.

## **Appraisal process**

The Scottish Government Third Sector Enterprise Fund Team will appraise all applications.

For applications of up to £70,000 we will aim to make decisions within 6-8 weeks of receipt of your completed application. Please be aware that any information omitted from your application will result in delays.

Applications for £70,000 or more will also be appraised by the Third Sector Enterprise Fund Team and then referred to an independent funding panel for final decision. An assessment of the **quality of evidence** presented in the business plan will be considered along with the proposal to determine whether the plan provides substantiation of a transformational step change in the organisation's activities.

The funding panel will meet regularly depending on the volume of applications. These applications may take longer than 6-8 weeks, depending on the timing and frequency of panels.

The diagram at Annex A illustrates the application process in more detail.

## How to apply

Please ensure you download and carefully read:

- The Third Sector Enterprise Fund Investment Strategy 2008-2011
- Information and Guidance for Applicants
- Frequently Asked Questions (FAQs)
- Application Form
- Help Notes for Applicants

The **Help Notes** for Applicants explain the information we are looking for and will help you to focus your answers. Please ensure you read these carefully while completing your application form. If you omit information we have asked for, the appraisal of your application will be delayed. The Application Form is available in Word format and all the documents are available at:

[www.scotland.gov.uk/Topics/People/15300/funding/enterprising-skills-fund](http://www.scotland.gov.uk/Topics/People/15300/funding/enterprising-skills-fund).

Please e-mail your completed application form and supporting documents to:

[enterprisefund@scotland.gsi.gov.uk](mailto:enterprisefund@scotland.gsi.gov.uk)

If you don't have electronic copies of your supporting documents you can post hard copies to:

The Enterprise Fund Administrator  
The Scottish Government  
Third Sector Division  
Mail Point 21, Area 3-H Bridge  
Victoria Quay  
Edinburgh EH6 6QQ

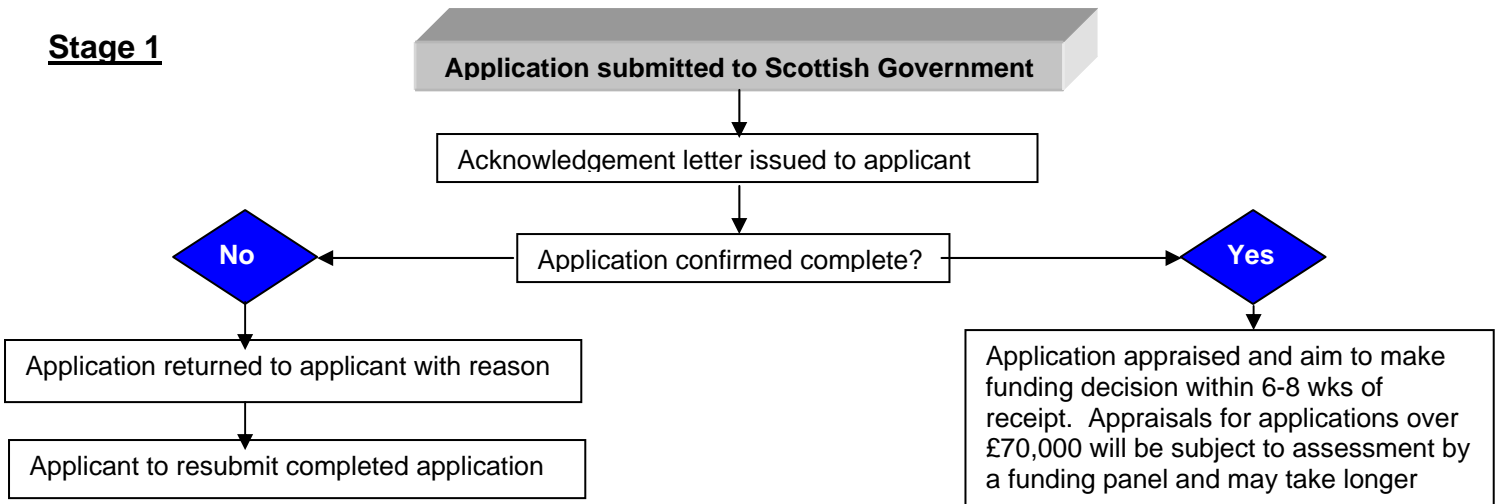
If you do not have access to a PC, please complete a hard copy of the form in **BLACK INK** and post it to the address above.

### Data Protection and Freedom of Information

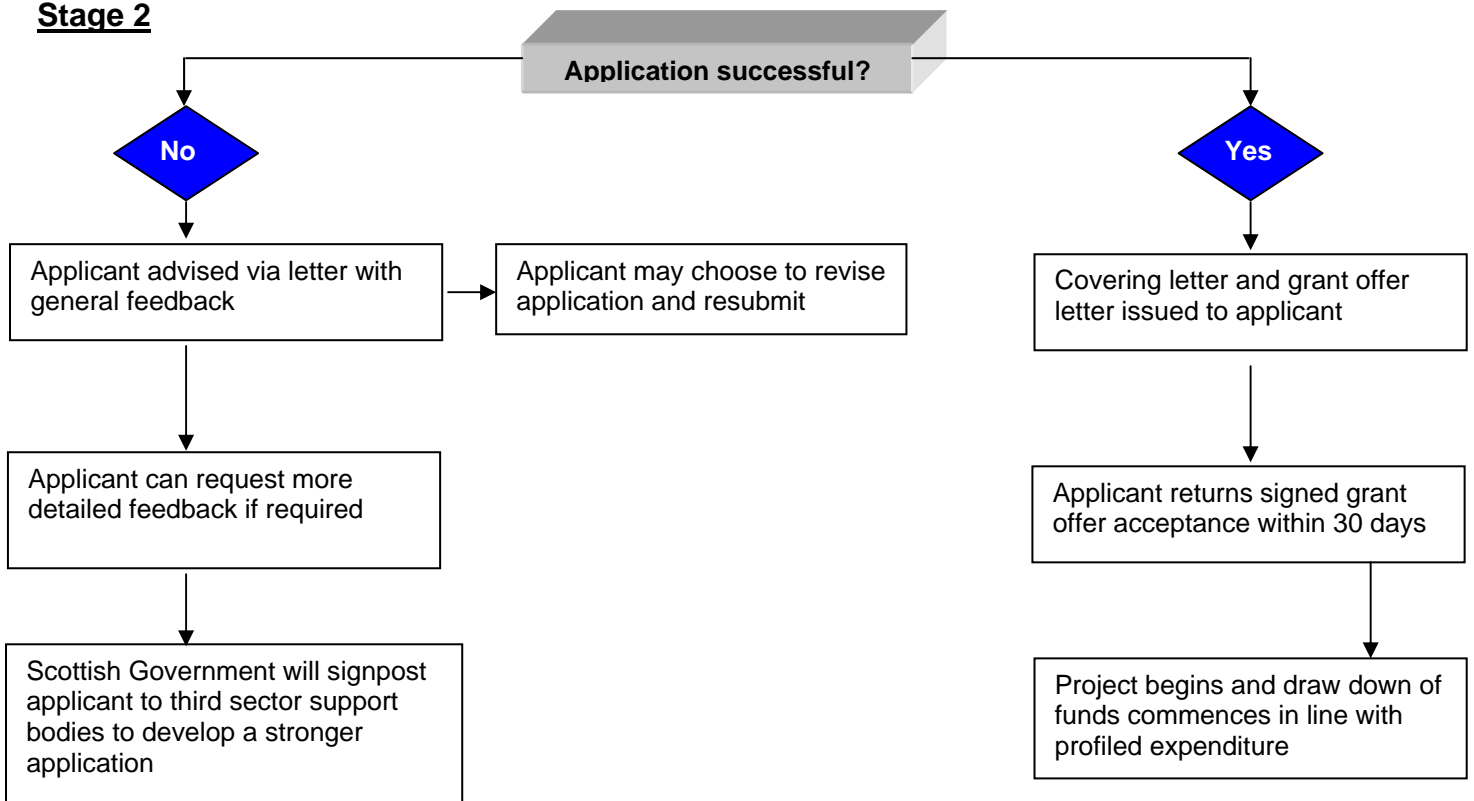
Applicants to the Third Sector Enterprise Fund investment should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 as well as the Environmental Information (Scotland) Regulations 2004 and the Data Protection Act 1998. Please therefore note that information provided, including personal information, may be published or disclosed in accordance with the aforementioned legislation. When submitting an application, please let us know if there are any parts of it which would prejudice your commercial or other interests if they were made public. However, given our legal obligations, please note we cannot guarantee confidentiality.

# THIRD SECTOR ENTERPRISE FUND – APPLICATION PROCESS

## Stage 1



## Stage 2



## Stage 3

