in collaboration with

The Ventures Lab | Challenges Group

SIS Social Investment Scotland

Good Finance



Firstport presents

The entrepreneurs guide to social investment

Firstport

Corylus Horticulture

Introduction

This guide is for founders, advisers, and partners trying to make sense of social investment and repayable finance. Whilst examples and context will often reference Scotland, the North of England, and national options, the underlying concepts and pathways are designed to be relevant beyond these regions. This is not a comprehensive directory of every provider. Instead, it's a practical guide that highlights key organisations and explains how the social investment landscape fits together, so you can navigate it with more confidence.

Many founders first encounter social investment and repayable finance late in their journey, often under pressure or uncertainty. Grant options may have narrowed, or trading income alone cannot yet support growth. By this point, you may feel under pressure to consider loans.

The social investment landscape is changing. Grant routes have become more selective, and there's growing emphasis on financial sustainability, trading income, and repayable finance. These shifts are real, but they don't mean you need to rush into something you don't fully understand. Social investment, and loans in particular, often carry misconceptions. They can feel corporate, risky, or incompatible with social purpose. But they're tools, designed for specific circumstances. When used appropriately, they can help organisations sustain and grow their positive social or environmental impact.

The scale of your impact depends on the growth and longevity of your organisation. Appropriate financial decisions, made at the right time, can help you to keep doing good work year after year.

The guide is structured in layers:

- a clear orientation to social investment and the wider social investment landscape
- common pathways and roles mapped across the ecosystem
- revenue-based finance explored in depth as one specific form of repayable finance



Emily Macdonald
Head of Group Investment Programmes at Firstport

Who this guide is for

Founders and social entrepreneurs exploring funding and finance options.

Leaders, trustees, and teams hearing new language around social investment and repayable finance.

Ecosystem supporters and advisers, including enterprise support organisations, funders, accelerators, incubators, and consultants, who support others to navigate funding conversations and want a clearer, shared frame of reference.

How to use this guide

This guide is modular and non-linear. You can move between sections based on your current questions or needs.

We invite you to read selectively, revisit sections as your circumstances or understanding change, and build your knowledge gradually.

Understanding develops over time, not all at once.

Give yourself space to learn and grow at your own pace.

How this guide was shaped

This guide was commissioned by Firstport and developed to support founders, advisors, and ecosystem partners in better understanding the landscape of social investment and the role of revenue-based finance. It has been curated in collaboration with a range of ecosystem partners and practitioners, ensuring it reflects multiple perspectives.

We extend our thanks to Social Investment Scotland, Good Finance and the Challenges Group for their input, insight, and ongoing work supporting mission-led organisations. We encourage readers to explore their resources and support offers directly.

Firstport

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Section 1

The language of social investment

with Good Finance

Language matters. In social investment, unfamiliar or inconsistently used terminology can create unnecessary barriers, especially for charities and social enterprises considering repayable finance for the first time.

This section seeks to provide comprehensive explainers of some of the most common terms used within the social investment ecosystem, explaining how they relate to one another, and address where confusion often arises.

If you come across terms in this section that are unfamiliar, the Good Finance Jargon Buster is a useful reference point and is listed in the further resources section at the end of this guide.

How money flows, and what it expects in return

Investment structures and products

Grants

A grant is non-repayable funding, typically provided by trusts, foundations, or public bodies. Grants are often time limited and restricted to specific activities or outcomes.

Common confusion: grants are sometimes described as ‘risk-free money’. In practice, they still come with accountability, just not financial repayment.

Social investment

Social investment is the use of repayable finance to help an organisation achieve its social mission. It can come from an organisation or an individual, for example through:

- a specialised social investment firm
- a social bank
- crowdfunding
- community shares
- an angel investor

Social investment encompasses a wide range of products, which fall into one of two categories: debt or equity.

1. Loans (Debt)

A loan is repayable finance. An organisation borrows a fixed amount and agrees to repay it over time, usually with interest. Loans can be:

- secured (backed by an asset such as a building)
- unsecured (not backed by collateral)

Loans are the most common form of social investment.

Common confusion: Social investment loans are often assumed to be the same as commercial bank loans. In reality, social investors want to see the impact their money is making and typically place greater emphasis on mission, impact, and long-term sustainability rather than maximising profit.

2. Equity

Equity involves selling shares in an organisation in exchange for investment. The investor becomes a part-owner and may receive dividends or influence governance. Equity is only possible for organisations with share-issuing legal structures, for example companies limited by shares, community benefit societies, and cooperatives.

Common confusion: Equity is often misunderstood as giving away control. In practice, equity arrangements vary widely and are not available or appropriate.

Social investment types

There are different social investment products available; depending on your organisation's structure, stage or the amount you're looking to borrow, you may find that you are better suited to one or more products. You also need to be clear if there are any conditions in your Articles of Association that impact on your ability to take on investment. Different social investors will also specialise in different products. Some examples include: 'revenue based participation' and 'blended finance'.

1. Revenue based participation

Sometimes referred to as 'quasi-equity' or 'equity-like', revenue-based finance is a form of repayable finance where repayments are linked to an organisation's income. When revenue goes up, repayments increase; when it falls, repayments reduce.

Common confusion: revenue-based finance is often mistaken for equity because repayments flex with income. In practice, it remains a form of debt, with no ownership given up, and still requires a clear path to repayment.

2. Blended finance

Blended finance combines grant and repayable finance from the same source to reduce risk and enable investment that might not otherwise happen.

Common confusion: blended finance is sometimes seen as a product. It's better understood as a structure that mixes funding sources to make finance more accessible.

How mission, impact and money are protected

Performance and accountability terms

Asset lock

An asset lock is a legal mechanism that ensures an organisation's assets are used for social benefit and not distributed for private gain.

Mission lock

A mission lock refers more broadly to safeguards that protect an organisation's social purpose over time. This can include governing documents, shareholder agreements, or funder conditions.

Common confusion: Asset lock and mission lock are often used interchangeably. An asset lock is a specific legal tool; mission lock is a wider concept.

Different settings, nations and funders may have a variety of frameworks for what they consider to be investable. In Scotland, the Voluntary Code of Practice and the desire to double the size of the economy through the growth of Inclusive and Democratic Business Models are important considerations.

Measuring impact

Theory of change

A theory of change sets out how an organisation believes its activities will lead to desired social outcomes. It explains the 'why' behind the work and will detail the inputs, activities, outputs, outcomes and impact an organisation is delivering.

Social return on investment (SROI)

SROI is a framework for measuring and valuing social outcomes in monetary terms.

Common confusion: SROI is sometimes assumed to be required by investors. In reality, many investors are interested in proportionate, meaningful impact reporting.

Why structure matters for finance

Charitable Incorporated Organisation (CIO)

A **Charitable Incorporated Organisation (CIO)** is a charity with its own legal personality. CIOs can take on loans but cannot issue shares. In Scotland CIOs are known as **Scottish Charitable Incorporated Organisation (SCIO) .**

Community Interest Company (CIC)

A **CIC** is designed for social enterprises that want to trade and reinvest profits for community benefit. CICs can be limited by guarantee or can be limited by shares (with dividend restrictions) and include an asset lock.

Social enterprise

Social enterprise is not a legal form. It describes organisations that trade to achieve a social mission and covers nine different legal structures.

Common confusion: 'Social enterprise' is often assumed to mean CIC. In reality, many charities are also social enterprises. The legal structure you choose or currently operate under may have an impact on the types of investment you are able to access.

Who does what, and where roles overlap

Key stakeholders in the ecosystem

Social investors

Social investors provide repayable finance to charities, social enterprises and community businesses with the intention of achieving both social impact and financial return.

Many social investors are charities or social enterprises themselves, reinvesting surplus back into their mission.

Impact investors

Impact investors also seek social or environmental impact, but the term covers a much broader spectrum. Some impact investors target market rate returns and invest in larger or solely commercial organisations.

Key distinction: Social investment loans are often assumed to be the same as commercial bank loans. In reality, social investors want to see the impact their money is making and typically place greater emphasis on mission, impact, and long-term sustainability rather than maximising profit.

Accelerators and incubators

Accelerators help more established organisations grow quickly, often through time limited or bespoke programmes.

Both prepare organisations for investment, but they do not usually provide significant capital themselves.

Incubators support early stage organisations to develop an idea or model.

Patient capital

Patient capital is long-term investment with lower return expectations and flexible repayment terms, recognising that mission-led organisations may need time to grow sustainably.

Where terms overlap and why that's okay

The social investment ecosystem is not neat. Terms overlap because organisations, investors and funders operate along a spectrum rather than in fixed boxes.

Understanding the language is not about memorising definitions. It's about:

- asking better questions
- understanding what's on offer
- feeling confident to explore options

The Good Finance Jargon Buster seeks to demystify social investment terminology in a way that doesn't 'dumb down' the content, but provides context and explanations to commonly used social investment language

Section 2

Social investment, what it is, and how it works

with SIS Social Investment Scotland

Social investment prioritises both impact and financial sustainability. The capital is repayable, typically from surplus generated through trading, services, or contracts. Because it's repaid, the same finance can support multiple organisations over time.

This approach has grown as public finance has tightened, and organisations are increasingly expected to generate income rather than rely solely on grants. Social investment is designed for organisations that can generate income whilst delivering positive social or environmental impact.



Bowling Green Together

Who social investment is designed for

Social investment is typically suited to organisations that already generate income or have a credible plan to do so. This might include selling products or services, delivering public service contracts, or generating income through other trading activities.

Because social investment is usually repayable, organisations need to demonstrate how future income will support repayments. Where income generation is not yet clear or reliable, grant funding may be more appropriate in earlier stages.

Many organisations use both grants and social investment at different points in their development. Grants can help fund the development or testing of a new service or idea. Social investment can then support growth or expansion once an organisation has begun generating income.

Some organisations also access blended finance, which combines grants and repayable investment to reduce risk and support innovation.

Understanding when repayable finance may be appropriate has become increasingly important for social entrepreneurs. This does not mean every organisation should pursue it, or that it replaces grant funding. Rather, understanding how social investors assess opportunities can help organisations determine whether this type of finance is the right fit for their model and stage of development. **Increasingly, organisations may also encounter impact investors, who similarly seek financial return alongside measurable social or environmental outcomes**.

The types of organisations that can access social investment

Social investment is not limited to one specific legal structure. However, certain types of organisations tend to be more naturally aligned with how social investors assess risk, purpose, and repayment.

Social enterprises are often the clearest fit. This includes structures such as Community Interest Companies (CICs), Community Benefit Societies (CBSs), and other organisations with an asset lock or clearly protected mission. These structures provide reassurance that profits will be reinvested or used for community benefit, that assets are protected for social purpose, and that governance arrangements align with stated impact objectives. Because social investors seek both impact and financial return, having an asset lock, mission-locked or clearly purpose-led structure can strengthen alignment and confidence.

Private limited companies can also access social investment, particularly where they have a strong and demonstrable social mission. In some cases, organisations may choose to **redesign their legal structure**, introduce partial asset protections, amend governing documents, or clarify impact commitments in order to strengthen alignment with social investment expectations. Not all social investors require a formal asset lock, but many will look for credible evidence that social purpose is embedded in strategy and decision-making. Where an organisation is structured purely for shareholder return, social investment may be less appropriate unless there is clear and intentional impact alignment.

Increasingly, commercially structured businesses with a strong and demonstrable social or environmental mission are described as impact ventures within the wider UK impact economy. These ventures embed impact within their core products, services or business models while operating as commercially viable enterprises.

Registered charities can also access certain forms of social investment, especially where they generate trading income or have a viable revenue model. This may involve borrowing directly where permitted within charitable regulations, or using a wholly owned trading subsidiary to generate income and manage repayable finance. Charities may also access blended finance structures in some circumstances. However, additional governance and compliance considerations apply, and trustee confidence and understanding play an important role when considering repayable finance.

Ultimately, legal structure alone does not determine suitability. Social investors will typically consider whether the organisation has a clearly defined and protected social purpose, whether it has reliable or emerging income, whether governance supports responsible financial decision-making, and whether repayment can realistically occur without undermining its mission. In some cases, adapting structure or clarifying governance may strengthen eligibility. In others, grant funding or further readiness support may be more appropriate before pursuing investment.

How social lenders think differently

Social lenders assess both your finances and your impact. They care about the positive change you're creating as much as your ability to repay. This distinguishes them from commercial lenders.

A high street bank will focus primarily on your financial track record, assets, and projections. They may struggle to understand hybrid business models, the value created through social or environmental impact, or the realities of operating in underserved markets. If your model is complex or your financial history is limited, commercial finance can be difficult to access.

Social lenders evaluate risk differently. They understand that impact often takes time to develop and that organisations working with marginalised communities or testing new approaches face particular challenges. Many are willing to take on higher risk if the potential impact justifies it. They may offer more flexibility if circumstances change, adjusting repayment schedules or taking a longer-term view of success.

You still need to show that your business or enterprise is viable and that you can repay. Social lenders need confidence in your business model and your ability to generate the income necessary for repayments. The difference lies in what gets considered and the flexibility available.



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How social investment differs from commercial finance

- **Expertise in social enterprise**: social lenders understand hybrid income models, and the challenges specific to businesses creating social or environmental impact.
- **Flexibility**: if you encounter difficulties, many social lenders will work with you to adjust repayment terms or provide breathing space. Commercial lenders have less room to manoeuvre.
- **Risk tolerance**: social lenders may accept higher risk, particularly if you're working in an underserved market or pioneering a new approach. They balance financial risk with expected social or environmental impact.
- **Security**: some social lenders require security over assets or property. Others offer unsecured finance, making investment accessible to organisations without significant assets.
- **Added value:** many social lenders provide business support, mentoring, or connections alongside capital. This recognises that capital alone isn't always enough.

Social investment still requires financial discipline, planning, and accountability. The bar for responsible borrowing remains high. The difference lies in how risk, impact and long-term outcomes are considered in investment decisions.

Relationship and support alongside capital

The level and type of support varies significantly between investors. Some take an active, hands-on approach, offering strategic advice, challenging assumptions, and engaging closely with your development. Others provide capital and leave you to run your social enterprise. Many sit somewhere between these approaches.

Think about the relationship you want. Do you value having someone who'll push your thinking and offer input? Or do you prefer an investor who provides capital and trusts you to deliver? Neither is better or worse, but knowing what suits you helps identify the right match.

For early-stage organisations or underrepresented founders, access to expertise, networks, and encouragement alongside capital can be especially valuable.

When social investment becomes relevant

Social investment tends to fit specific situations:

- **High start-up costs:** purchasing equipment, fitting out premises, or building systems that grants won't fully cover.
- **Working capital:** covering operational costs before income arrives, or bridging gaps between service delivery and payment.
- **Developing or expanding products or services:** refining, scaling, or bringing to market products or services where there is early evidence of demand and potential to generate income and impact.
- **Growth:** hiring staff, improving infrastructure, expanding into new areas, or increasing capacity to deliver more impact.
- **Preparing for scale:** strengthening systems or leadership to support larger contracts, markets or investment.
- **Asset purchase:** buying a building to reduce long-term costs and create stability, often through securing property you already rent.

If you can't yet demonstrate how you'll generate income, or if your activities won't produce enough surplus for repayments, social investment isn't appropriate. Grants may better suit your current stage.

What you'll need for social investment

- **A clear business model:** a well-defined product or service that addresses a real problem and generates sustainable revenue.
- **An income model:** a clear way to generate revenue through sales, service delivery, or contracts that covers costs and repayments.
- **Financial capability:** The ability to manage budgets, understand cash flow, forecast income and costs, and report your financial position. If these skills are gaps, they need addressing.
- **Leadership and governance:** A capable leadership team and governance arrangements that support effective decision-making and accountability.
- **Time and capacity:** Applying for investment, maintaining investor relationships, and reporting on progress all require time that must be factored into planning.
- **Demonstrated impact:** Evidence that you're delivering the positive social or environmental change you're committed to, not just financial performance.

Taking on repayable finance is a strategic decision. It should strengthen your organisation, not stretch it beyond its capacity.

Section 3

Investment readiness: What it really means

with The Ventures Lab | Challenges Group

Investment readiness isn't a checklist. The phrase investment ready can make it sound as though there is a single moment when an organisation becomes ready for investment. In reality, readiness is not a fixed state or a simple checklist to complete. It is better understood as a combination of capabilities developing over time.

Organisations become investment ready as their business model strengthens, their income becomes more predictable, and their leadership and systems mature. It is rarely a sudden transition. Instead, readiness develops gradually as an organisation proves that it can deliver impact while operating as a sustainable enterprise.

Many founders worry that they must be fully polished before speaking to investors. In practice, investors do not expect perfection. What they are looking for is clarity, credibility, and a realistic plan for growth and repayment.

Readiness has several dimensions

Investment readiness is not just about financial performance. It involves several interconnected areas that together give investors confidence.

Financial readiness
Organisations need to understand their numbers. This includes managing budgets, forecasting income and expenditure, and understanding cash flow. Investors want to see that the organisation can realistically service repayments.

Trading readiness
There needs to be a credible income model. This does not necessarily mean high profits, but it does mean evidence that customers or commissioners value the service and are willing to pay for it.

Operational readiness
The organisation must have systems and processes that allow it to deliver consistently. This might include project management systems, financial controls, and the ability to manage growth without compromising quality.

Governance readiness
Strong governance gives investors confidence. This means having appropriate oversight, clear decision-making structures, and leadership that can balance mission with financial sustainability.

Leadership readiness
Taking on investment is also a leadership responsibility. It requires confidence in financial decision-making, openness to scrutiny, and a willingness to manage risk responsibly.

These dimensions rarely develop at the same pace. One area may be strong while another still needs attention. This is normal and part of the development journey.

Readiness changes over time

Investment readiness is not permanent. An organisation that is ready at one stage may not be ready at another.

For example, an organisation might be ready for a small loan to purchase equipment but not yet ready for a larger investment to scale nationally. Similarly, an organisation that has successfully taken on investment in the past may find that readiness changes if leadership transitions or trading conditions shift.

Readiness therefore needs to be reviewed in the context of the specific investment being considered.

How readiness develops in practice

Readiness usually develops gradually as an organisation gains experience, strengthens its business model, and builds confidence in managing both income and risk.

In the early stages, organisations are often focused on testing ideas, refining services, and understanding who will pay for their work. Over time, trading becomes more predictable, leadership grows more confident in financial planning, and systems become more robust.

This development rarely happens in a straight line. An organisation might strengthen its trading model before improving governance, or build strong impact evidence before financial forecasting becomes fully developed.

For many ventures, the process of becoming investment-ready involves learning how the different parts of the organisation work together. Financial planning becomes more closely linked to operational delivery, governance structures mature, and leadership becomes more comfortable making decisions that balance mission with financial sustainability.

Support programmes can play an important role during this stage by helping organisations strengthen the areas that matter most for responsible investment.

Investment readiness is not about being perfect. It is about building the clarity, capability, and confidence needed to take on finance responsibly. With time, experience, and the right support, many organisations find that readiness develops naturally as their enterprise grows.

Section 4

Grants and loans: understanding the difference

When people first explore starting a social enterprise or impact-led venture, the word 'support' often translates to 'grant funding' in their minds. This makes sense. Grants feel familiar, less daunting. They don't require repayment. They can provide breathing space to test ideas or develop something new without the pressure of generating immediate income.

Repayable finance, on the other hand, can feel risky or overwhelming, especially if you're just starting out. The language alone can be off-putting. Terms like 'loan', 'investment', and 'repayment' carry weight. They can feel corporate, intimidating, or simply inappropriate for work that's fundamentally about positive social or environmental impact.

But neither grants nor repayable finance are inherently good or bad. They're tools designed for different purposes. Understanding what each enables can help you recognise which might be right for you at different stages of your journey.

What repayable finance enables

Repayable finance, such as social lending, is designed for organisations that can generate income through trading, contracts, or services. Loans or other forms of social investment support organisations to:

- grow trading activities that already generate revenue
- cover cashflow gaps whilst waiting for invoices to be paid
- invest in equipment, premises, or staff that will increase capacity
- smooth income fluctuations across the year
- build financial sustainability so the organisation becomes less dependent on external funding over time

Repayable finance is typically used by organisations that have established business models. You know your service works. You know who pays for it. You have evidence of demand. The capital helps you do more of what's already generating income, or to reach the scale needed to become financially sustainable.

The key difference from grants is that repayable finance, including social lending, assumes that your trading activity will generate surplus. This surplus is then used to repay the loan. Lenders or investors are interested in whether your business model is sound, whether you can manage cash flow, and whether you have the capacity to grow.

This doesn't mean repayable finance is harder or more serious than grants. The expectations are different, but so is the fit. If you're not yet generating income, or if your income is unpredictable, loans won't be appropriate. If you are generating income but need capital to grow, repayable finance might be a better fit than grants.

Neither option is a judgement



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How fit changes over time

When you're starting out, grants might feel like the only option. You're testing whether something works. You don't yet know if anyone will pay for it, or how much they'll pay. You need space to learn without the pressure of repayment.

As you establish your model, trading income becomes more predictable. You might win a contract, secure repeat customers, or build a base of regular users. At this point, grants might still be useful for specific projects, but repayable finance starts to become relevant. You have income. You need capital to expand. A loan makes sense.

Later still, as you scale, your reliance on grants may decrease entirely. You generate enough surplus to reinvest in growth. Repayable finance becomes a tool for managing cash flow or seizing opportunities. Grants might still play a role, but the balance has shifted.

This progression isn't linear. Some organisations move back and forth. Others plateau at a stage where both grants and repayable finance remain relevant for different purposes. Some never reach a stage where loans are appropriate, and that's fine. **What matters is understanding which tool fits your situation now, not which tool you think you should be using.**

Accountability and responsibility

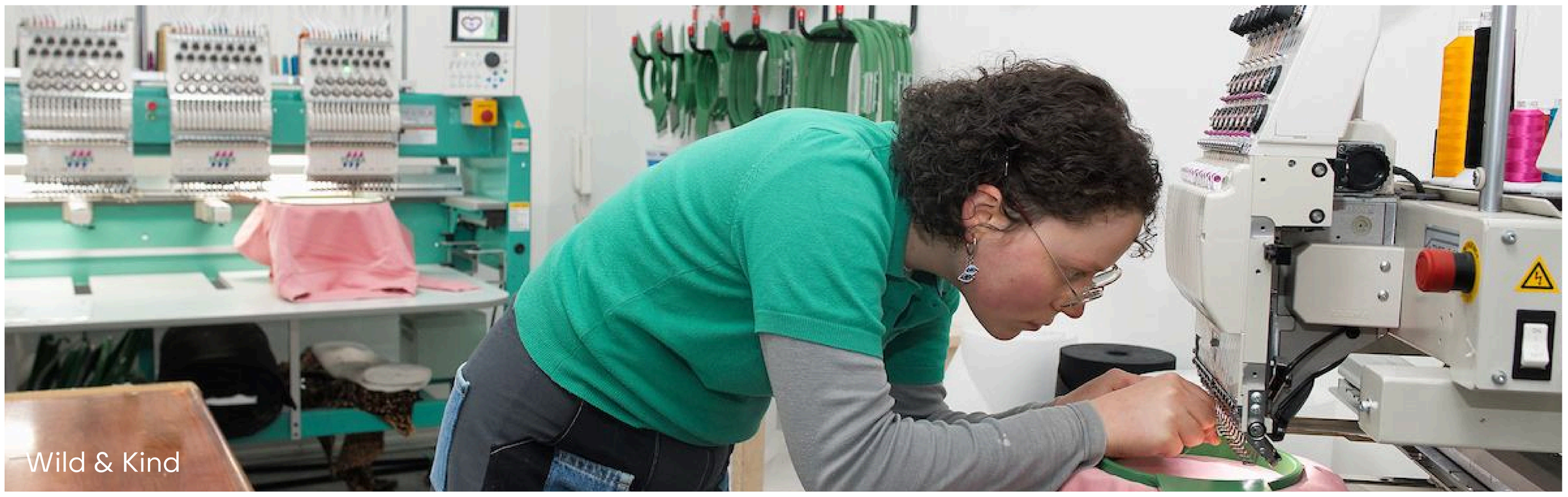
Both grants and repayable finance come with accountability, but the nature of that accountability differs.

Grants require you to demonstrate that you've delivered what you said you would. Funders want reports, evidence of outcomes, and assurance that their money has been used appropriately. This can feel supportive, providing structure and milestones, or it can feel restrictive, particularly if your plans need to adapt.

Repayable finance requires you to manage your finances carefully enough to make repayments. Lenders want to see that you're generating surplus, that your cash flow is stable, and that you're making progress. This can feel empowering, giving you more freedom to adapt and respond, or it can feel pressurising, particularly if income is unpredictable.

Neither form of accountability is inherently better. Grants work well for organisations that benefit from external structure and are delivering activities that don't generate income. Repayable finance works well for organisations with strong financial management and established trading models.

Both forms of finance require you to be responsible with money. Both expect transparency. Both involve relationships with people who care about your success. The difference lies in what's being measured and how flexibility is balanced with expectations.



Wild & Kind

What this all means in practice

If you're early in your journey and don't yet have a clear revenue model, grants may be the most appropriate option. They give you space to figure things out without the pressure of generating immediate surplus.

- **If you're trading consistently and need capital to grow, repayable finance becomes relevant.** You're not borrowing to cover gaps in your model. You're borrowing to expand something that's already working.
- **If you're unsure where you sit, that uncertainty is useful information.** It suggests you might benefit from working with an advisor or support organisation to understand your financial position more clearly before pursuing either option.
- **And if you're somewhere in between, using both grants and repayable finance for different purposes,** that's common. Many organisations use grants for specific projects alongside loans for cash flow or capacity investment.

The goal isn't to graduate from grants to loans as quickly as possible. **The goal is to use the right tool at the right time, to support financial sustainability and positive impact.**

Section 5

Revenue-based finance explained

Revenue-based finance is a form of repayable finance where repayments are linked to how much income an organisation earns, rather than set at a fixed monthly amount.

Instead of paying the same amount back every month, **you agree to repay a percentage of your trading income.** When income is higher, repayments increase. When income is lower, repayments reduce. **This flexibility is what defines the revenue-based finance.**

What repayable finance enables

Revenue-based finance sits somewhere between a loan and equity, without being either.

Unlike a traditional loan, there are no fixed monthly repayments that must be met regardless of performance. This can reduce pressure on cash flow, particularly for organisations with uneven or growing income.

Unlike equity, you do not give up ownership or control of your organisation. This is especially important for charities and social enterprises that cannot issue shares.

In many cases, **revenue-based finance uses a fixed overall repayment amount rather than an interest rate**, meaning organisations know the total amount they will repay over time. This is calculated as the amount of investment required plus a fixed fee, and does not increase if repayment takes longer than originally 'envisaged'.


Gro For You

Why revenue-based finance exists in social investment

Many social enterprises fall into a gap. They may be trading and growing, but not yet able to take on fixed loan repayments. They may have strong social or environmental impact, but lack assets or long trading histories that traditional lenders require.

Revenue-based finance offerings, such as the Catalyst Fund, exist within social investment to respond to this reality. It is designed to share risk more fairly between investor and organisation, recognising that impact-led businesses often grow in non-linear ways.

Who revenue-based finance is often designed for

Revenue-based finance is usually considered by organisations that:

- are already trading and generating income
- have a social or environmental purpose at their core
- expect income to grow but not evenly
- need flexibility during a growth phase

It is most often used where a traditional loan would feel too risky or the age or stage of the enterprise prevents them from accessing other types of social investment, but grants alone are no longer sufficient.

When it may not be appropriate

Revenue-based finance is not the right choice for every organisation. It may not be suitable if:

- your income is highly uncertain or not linked to trading
- you rely mainly on grants or donations
- you need finance for activities with no clear route to earned income
- you are uncomfortable with long-term repayment commitments, even flexible ones

As with all forms of repayable finance, the question is not whether revenue-based finance is 'good' or 'bad', but whether it is right for your organisation at this point in time.

The Catalyst Fund in practice

The Catalyst Fund is designed to support organisations to grow and sustain impact at a pace that fits them. It is intended for committed social enterprises, which could be high growth early-stage start-ups or established enterprises with plans to grow. Organisations that are ready to take on social investment to support growth, increase trading income or longer-term resilience.

For some, this may mean creating or protecting jobs, strengthening internal systems, investing in infrastructure, or financing the next phase of development. The focus is not rapid expansion, **but steady, sustainable progress aligned with mission and capacity.**

Investment through the Catalyst Fund is provided using revenue-based finance, where repayments are linked to how the organisation performs rather than being fixed regardless of circumstances. This flexibility can be particularly helpful for social enterprises whose income fluctuates or is seasonal, or whose growth does not follow a straight line.

The Catalyst Fund is specifically designed for organisations that may not yet be able to access **social investment from other providers due to their age, stage, scale, or trading history.** It recognises that many social enterprises fall into a gap, being too established for early-stage grants, but not yet suited to traditional lending or larger investment funds.

Many organisations reach this point after they have outgrown grants. Revenue-based finance can offer a flexible approach to growth that reflects the realities of scaling a mission-led organisation.

The Catalyst Fund is **not right for every organisation**, and it is never assumed to be the next step. Its purpose is to support **informed, responsible decisions**. Sometimes that decision will be to proceed. Sometimes it will be to wait, adapt, or pursue a different route entirely.

Section 6

Common pathways through the social investment ecosystem

People often expect there to be a single, logical route through funding and support. In reality, there is no one ‘right’ journey.

Most social enterprises move through the ecosystem in a non-linear way. Grants, trading income, business support, traditional finance and social investment often overlap and sit alongside one another, rather than replacing each other neatly.

What matters is not following a prescribed path, but **understanding what kinds of support exist, what they are designed to do, and how they might fit your organisation at different points in time.**



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How different types of support interact

Founders typically draw on a mix of:

- **Readiness and business support:** advice, learning programmes, mentoring and peer support that help develop confidence, systems, leadership and decision-making.
- **Grants:** Often used to test ideas, build early capacity, or support activity that is hard to finance through trading alone.
- **Trading and earned income:** revenue from customers or contracts, which strengthens financial sustainability and creates more options over time.
- **Traditional finance:** including banks and commercial lenders, usually appropriate where income is predictable and risk is lower.
- **Social and repayable finance:** designed for organisations creating positive social or environmental impact, where flexibility and understanding of mission matter.

Many organisations move between these forms of support as their circumstances change. Using a grant does not rule out future investment. Taking on a loan does not mean support or advice disappears.

Firstport

The ecosystem includes a wide range of organisations, each playing a different role:

Financial and funding bodies

These include organisations such as Scottish National Investment Bank, Scottish EDGE and Converge, which provide funding, competitions, or investment linked to growth, innovation or impact.

Accelerators and incubators

Programmes such as The Ventures Lab, Converge Challenge and CodeBase offer structured support, learning and networks, often at early or growth stages.

Innovation centres and hubs

Places like the Scottish Centre for Food Development and Innovation, Glasgow Riverside Innovation District and Industrial Biotechnology Innovation Centre connect social enterprises with research, facilities and sector-specific expertise.

Social investment and place-based support

If you are looking for support, you may want to consider visiting Scottish Centre for Food Development and Innovation, Glasgow Riverside Innovation District and Industrial Biotechnology Innovation Centre connect social enterprises with research, facilities and sector-specific expertise.

Organisations including Firstport, Social Investment Scotland, South of Scotland Enterprise, and Foundation Scotland focus on enterprises creating positive social or environmental impact, offering combinations of funding, investment and support.

This is only a snapshot of what's available.

For a more complete directory, the Scottish Entrepreneurial Ecosystem Guide by Scottish Enterprise provides a comprehensive directory of programmes, funders, networks and sector-specific support across the country. Alongside this, the Good Finance Investor Directory offers a practical way to explore the wider UK social investment landscape. It allows you to filter investors by sector, investment size, and type of finance, helping you identify organisations that may align with your stage and needs. You can also explore the Social Enterprise Support Map, which offers a practical, place-based view of support available across Scotland, helping you see what's accessible in your local area.

Grant-led, loan-led and blended journeys

This ecosystem is not something you are expected to navigate alone. Understanding who exists, and what each part of the system is designed to do, is often the first step in making choices that work for your organisation.

Section 7

Where Firstport fits within the ecosystem

Firstport sits within a wider social investment ecosystem in Scotland. We are one part of a broader landscape of organisations that support social enterprises at different stages. **Our role is to help people understand their options, their timing, and what kind of support may be most appropriate.**

The ecosystem includes enterprise agencies, grant funders, social investors, commercial lenders, advisors, and peer networks. Each plays a different role, and no single organisation covers all of this. Firstport operates within this shared system, working alongside others.

We work with social enterprises from early ideas through to organisations that are trading and preparing to scale. Some come to us while testing whether an idea could become viable. Others are already generating income and want to strengthen their model or explore how to grow sustainably.

Support that combines finance and relationships

Our support brings together finance and relationships. This may include grants, business advice, investment readiness support, connections into the wider ecosystem, connections with peers at a similar stage, and access to repayable finance via the Catalyst Fund and Step Up. **The emphasis is always on fit and long term sustainability.**

Firstport is designed to support organisations that are building towards financial sustainability but are not yet fully there. This might mean testing an idea, strengthening governance, developing a business model, or building confidence in financial planning. In some cases, it includes access to forms of finance that are harder to find elsewhere.

Prioritising fit, timing, and good decisions

There will be times when Firstport is not the right fit. Another provider, another form of support, or more time to develop trading may be more appropriate. If mainstream social investment or bank lending is accessible and suitable, that is often the more appropriate route. If grants remain the best fit for your stage, that is also valid.

Our starting point is always a conversation, not an application. We prioritise helping organisations make informed decisions rather than moving quickly towards finance.

Sometimes that conversation leads towards support or investment. Sometimes it points to needing more time or getting things in place first. Outcomes such as ‘not yet’ or ‘try here instead’ are part of responsible decision making.

We help people navigate the landscape, connect with the right forms of support, and move forward with greater clarity and confidence.

Section 8

The role of collaborators and ecosystem enablers

Understanding social investment is rarely a solo journey. Most organisations work with advisors, mentors, business support providers and peer networks before, during and after making decisions about repayable finance.

These organisations and individuals do not provide capital themselves. Instead, they offer capabilities that help you make better decisions: clarity, confidence, readiness and governance. **Their role is to complement rather than compete with social investors.**

Support roles that matter

Across the ecosystem, you'll find organisations and people offering:

- **Readiness support**: helping you assess whether your income, systems and governance are strong enough to take on repayable finance, and what might need strengthening first.
- **Capability building**: developing skills in financial management, planning, governance, and commercial decision-making that support long-term sustainability regardless of funding route.
- **Governance support**: strengthening how decisions are made, how risk is understood, and how trustees or directors engage with financial choices.
- **Confidence-building**: creating space to ask questions, test thinking, and work through uncertainty without pressure or judgement.

This support can sit at different points in your journey. Sometimes it happens before you consider repayable finance at all. Sometimes it runs alongside conversations with social investors, helping you interpret what's being offered and whether it feels right. Sometimes it becomes clear that investment is not appropriate, and support shifts to exploring other pathways instead.



Kwetu Coffee

Why collaboration matters

Working with collaborators is not a sign of weakness or lack of readiness. In fact, organisations that seek input, ask questions and test their thinking tend to make more sustainable decisions.

Social investors understand this. Many actively encourage organisations to work with trusted advisers or support providers. They recognise that good decisions come from informed, confident founders who have thought through their options carefully, not from founders who feel they must say yes to the first thing offered.

Support organisations also help translate. They can clarify what social investors are looking for, explain terminology, and help you understand whether your circumstances genuinely fit a particular finance product. **This matters because fit is not always obvious, and it can take time to become comfortable with the language.**

Firstport in collaboration with The Ventures Lab Challenges Group | SIS Social Investment Scotland | Good Finance

How support and investment work together

Collaborators and social investors operate in different ways but towards shared goals. Both want organisations to thrive financially whilst deepening their positive social or environmental impact. Some organisations offer both support and capital, either through distinct teams or through blended models:

- ongoing business advice separate from the investment relationship
- peer support and learning alongside other founders
- help to develop systems, planning or governance
- connections to other parts of the ecosystem

Others focus entirely on support, with no capital provision at all. Understanding which you are speaking to, and what they are offering, helps avoid confusion later.



When support replaces investment

Sometimes working through readiness or capability support leads to a clearer conclusion: that **repayable finance is not appropriate for your organisation, either now or perhaps ever.**

This is a valid outcome. Not every organisation needs social investment. Some thrive on grants, trading income and support alone. Others discover that strengthening internal systems first makes more sense than taking on repayment obligations.

Good collaborators will help you reach this clarity without pushing you in any particular direction. Their value lies in helping you understand your options, not in ensuring you pursue one specific pathway.

"When a founder first approaches us, we have a conversation to understand their organisation, their impact and how they work. We listen to where they want to get to and then come up with a plan of support. This may involve joining our investment readiness programme or receiving bespoke support to overcome a specific challenge that's holding them back. We may signpost to a specific grant or investment provider. Or we may feel that a Firstport grant or investment is a good fit. It is our role to find the right support and right investment for them."

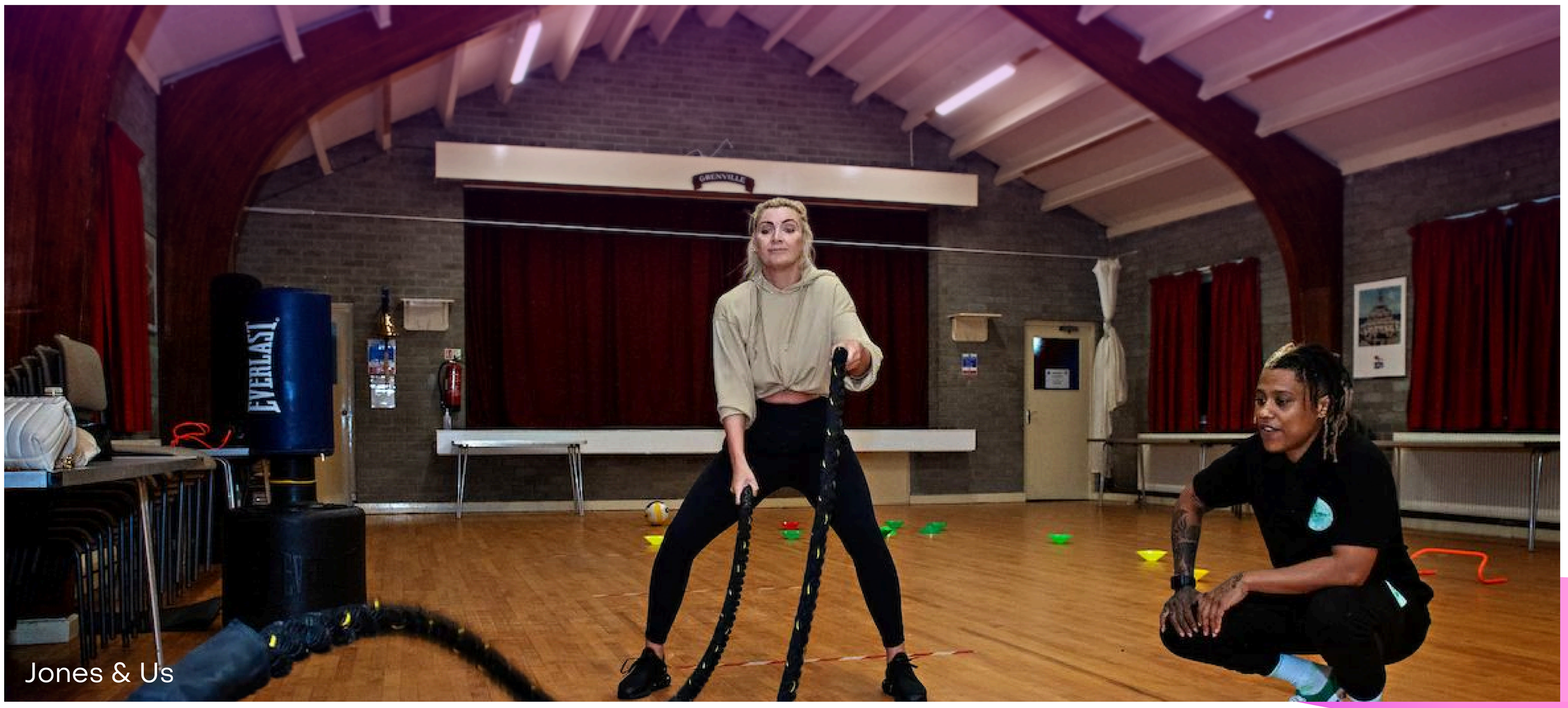
Emily Macdonald
Head of Group Investment Programmes at Firstport

Section 9

What to do next, choosing the right conversation

After reading this guide, you will hopefully have a better understanding of how social investment works, where revenue-based finance fits, and what questions matter most. You might also have new questions you didn't have before. **Both are useful outcomes.**

The next step is rarely ‘fill in an application’. More often, it's ‘have a conversation’. **This section helps you identify what kind of conversation might be helpful to have now, and who you might speak to.**



Jones & Us

Where you might be

You might recognise yourself as:

- **Still exploring whether repayable finance is even relevant**: you're not sure if your income model, stage of development, or appetite for repayment makes social investment appropriate at all.
- **Curious but uncertain about fit**: you think repayable finance might be useful, but you're unclear whether your organisation genuinely matches what investors are looking for.
- **Needing to strengthen something first**: you can see gaps in your financial management, governance, or planning that would need addressing before any serious conversation about investment could happen.
- **Ready to explore specific options**: your systems feel solid, your income is predictable enough, and you want to understand what products or providers might be appropriate.
- **Feeling pressure to decide quickly**: someone has mentioned investment, a deadline is approaching, or circumstances feel urgent, and you're not sure how to think it through calmly.

Recognising where you are helps identify what clarity you need next. You can also explore this further using the Good Finance ‘Is it right for us?’ tool.

What kind of clarity are you seeking?

Before deciding who to speak to, it helps to identify what you most need to understand. Different questions need different conversations.

Consider what would be most helpful to understand right now:

- **Clarity about purpose**: what do you need the money for, and what impact are you looking to make? How does this connect to your wider mission and direction?
- **Clarity about readiness**: do your systems, income and governance genuinely support taking on repayable finance? What would need to change if they don't?
- **Clarity about options**: what funding or finance pathways exist for organisations like yours? How do grants, trading income and investment typically combine at your stage?
- **Clarity about timing**: is now the right moment, or would waiting six months or a year lead to a stronger, more sustainable outcome?
- **Clarity about fit**: does your organisation align with what social investors are looking for, or are there mismatches that would make this route inappropriate?
- **Clarity about risk**: what does taking on repayable finance actually mean in practice? What happens if income drops? How do repayments work in reality?
- **Clarity about alternatives**: if investment isn't right, what else exists? Who can help you explore other pathways that might suit you better?

You might need clarity on more than one of these areas. That's normal. Start with whichever feels most pressing or uncertain.

Who you can speak to in the ecosystem

Depending on the clarity you're seeking, different people and organisations can help:

- **For readiness and capability questions:** business support organisations, enterprise agencies, or programmes focused on helping you develop systems, financial management, and governance. These might include local enterprise support, sector-specific networks, or business development programmes such as Firstport's LaunchMe.
- **For broad funding landscape questions:** advisors or intermediaries who work across the ecosystem and can help you understand how different funding routes compare. This includes organisations that provide signposting, sector knowledge, or independent advice.
- **For peer insight and shared experience:** other founders who have been through similar decisions. Peer networks, founder circles, or social enterprise membership bodies can provide valuable perspective from people who understand the reality of these choices.
- **For specific product or provider questions:** once you have clarity about readiness and fit, speaking directly to social investors or providers becomes more useful. They can explain their specific products, criteria, and whether your organisation aligns with what they offer.
- **For governance and strategic oversight:** your trustees, directors, or advisory board. Decisions about repayable finance should involve the people responsible for your organisation's strategic direction and risk management.

You don't need to speak to all of these at once. One conversation often clarifies which conversation should come next.

Why conversation matters

Applications can feel overwhelming? They imply commitment, deadlines, and binary outcomes. **Conversations create space to think, ask questions, and test understanding without that pressure.**

Good conversations help you:

- articulate what you're genuinely trying to achieve
- understand whether your assumptions are accurate
- identify what's missing or unclear
- build confidence in your decision-making
- recognise when something doesn't feel right

Speaking to someone does not commit you to anything. It's a way of gathering information, not making a binding choice.

Taking time is a responsible choice

If you feel uncertain, that's not a problem to solve immediately. **Uncertainty often means you need more information, more clarity, or more time to consider what's right for your organisation.**

Rushing into repayable finance because you feel you should, or because someone suggested it, rarely leads to sustainable outcomes. Taking time to understand your options, strengthen your foundations, or simply think things through is a sign of good leadership, not hesitation.

Social investment will still exist in six months. Providers understand that good decisions take time. **If an opportunity feels urgent or pressured, that's often a signal to pause and reflect before proceeding.**

Section 10

Conclusion

This guide has offered an overview of social investment, repayable finance, and revenue-based finance in particular. It has explained terminology, outlined pathways, and clarified how different parts of the ecosystem work together. But it is a starting point, not a complete picture.

Your understanding of these funding routes will develop as your organisation grows. Questions that feel abstract now may become more concrete as your trading income increases, your systems strengthen, or your circumstances change. Concepts that feel unclear today might make more sense in six months or a year. This is normal.

Learning doesn't need to happen all at once, and it rarely happens in isolation. Conversations with advisors, peers, and support organisations will bring understanding that no written guide can provide. Your own experience (testing ideas, making decisions, reflecting on outcomes) will teach you more than any document.

The contacts and resources in the next section exist for when particular questions become more pressing, or when specific types of support become relevant to your stage of development. You don't need to follow them immediately.

What matters most is that you move forward with confidence, clarity, and a sense that the decisions you make serve both your organisation's financial sustainability and its positive social or environmental impact. Whether that includes social investment or not is for you to determine, in your own time, with the support you need.

Emily Macdonald
Head of Group Investment Programmes at Firstport

Section 11

Further resources

Useful contacts

Scotland-focused:

Firstport
Supports social entrepreneurs in Scotland from idea to investment, offering funding, business support, and access to social investment through programmes like the Catalyst Fund.
Website or email: **info@firstport.org.uk**

Social Investment Scotland
Provides loans and investment to social enterprises, charities, and community organisations, alongside business support to help organisations grow sustainably.
Website or email: **hello@socialinvestmentscotland.com**

The Ventures Lab
Supports ambitious founders and teams building high-growth ventures, with a focus on innovation, scaling, and investment readiness across Scotland.
Website or email: **angie.lee@thechallengesgroup.com**

Social Enterprise Scotland
The national membership body for social enterprises, offering policy representation, networking, and sector-wide support.
Website or email: **info@socialenterprise.scot**

Scottish National Investment Bank
A mission-led investment bank providing patient capital to businesses and projects that align with Scotland's long-term economic, environmental, and social goals.
Website or email: **enquiries@thebank.scot**

North of England-focused:

PNE (Project North East)
Delivers business support, funding advice, and incubation services to help startups and growing businesses across the North East.
Website or email: **enquiries@pne.org**

North East BIC
Provides incubation space, training, and advisory services for early-stage and scaling businesses in the North East.
Website or email: **info@ne-bic.co.uk**

Social Enterprise Acumen
Supports social enterprises with consultancy, training, and strategic development, particularly in the North of England.
Website or email: **info@socialenterpriseacumen.co.uk**

National:

Good Finance
A practical platform helping charities and social enterprises understand and access social investment, including tools, guides, and an investor directory.
Website or email: **IRanjan@goodfinance.org.uk**

UnLtd
Supports social entrepreneurs across the UK with funding and tailored support, particularly at early stages of development.
Website or email **generalenquiries@unltd.org.uk**

Section 11

Further resources

Further reading and resources

Understanding social investment

Social Investment Unpicked | Good Finance

What is social investment? | Good Finance

Finance and funding tools

Cost of Capital Calculator | Good Finance

Is Social Investment right for us | Good Finance

Outcomes Matrix | Good Finance

Jargon Buster | Good Finance

Sector learning

Resource hub | Firstport

Case studies | Firstport

Office hours | Firstport

Social investment FAQs | Social Investment Scotland

Case studies | Social Investment Scotland

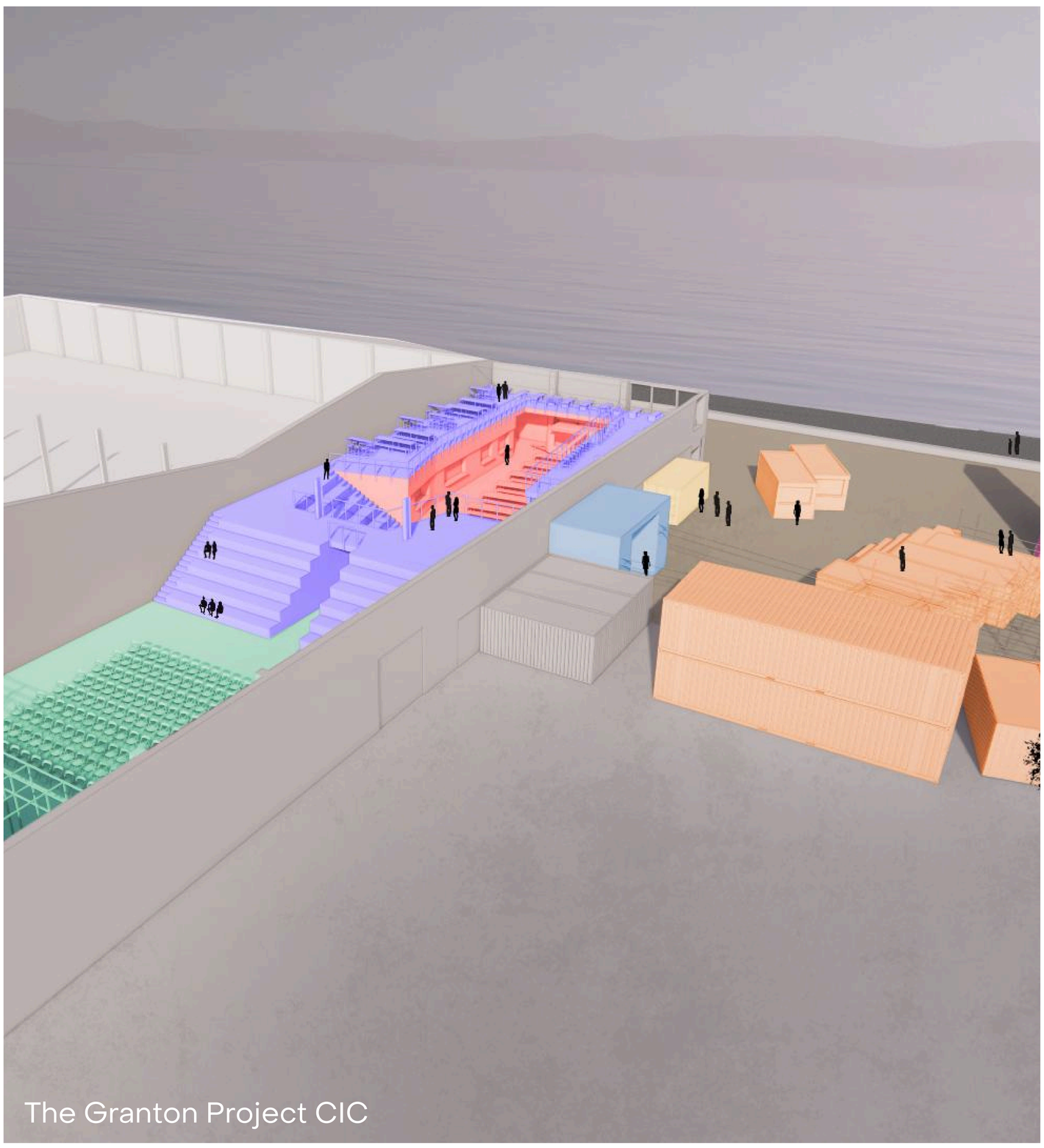
Past webinars | Social Investment Scotland

Section 12

Guide to co-creators

Throughout this guide, you will already have encountered different roles and organisations within the social investment ecosystem. These contributors represent different parts of that landscape, bringing practical insight from working directly with social enterprises navigating funding decisions.

Now, take the opportunity to get to know some of these key players more closely.



The Granton Project CIC

Firstport

Good Finance

Website	Knowledge Hub	LinkedIn	Newsletter

What role does Good Finance play in the social investment ecosystem?

Good Finance exists to be a trusted source of information for charities and social enterprises navigating social investment. Through our website, online learning, tools, resources, events and webinars our goal is to:

- improve knowledge on social investment, what it is, what it can be used for and the journey and process it requires
- enable organisations to make informed decisions, based on their needs and situation, not on embedded attitudes
- help organisations connect to the right investors to talk to based on shared values

What role does Good Finance play in the social investment ecosystem?

‘Social investment is too expensive, and too risky’. Social investment is repayable finance, usually with interest. As with any borrowing, it involves risk, so organisations need to be clear about how much they want to borrow, how it will be repaid, and what impact the funding will achieve.

Before making an investment, social investors carry out due diligence to assess risk for both parties. An investor is unlikely to lend if they believe the finance would not be in the organisation’s best interests. The cost of capital reflects the total amount repaid, including interest, which varies depending on the product, the level of risk, and the source of the capital. In some cases, interest rates may be higher than those offered by high street banks. However, social investment is often most appropriate where an organisation cannot access commercial finance, for example due to risk profile, legal structure, or track record, but has a viable model that delivers both social impact and financial return. Social investors typically work in partnership with organisations, offering wraparound support, and blended finance (combining loans with grants) can reduce the overall cost by offsetting interest.

What's the most important thing organisations should understand when starting to explore social investment?

Organisations who’ve taken social investment have shared their top 7 lessons learned with us:

1. **Unlike a grant, social investment is repayable**: usually with interest. Understanding this from the outset helps organisations plan realistically for repayments.
2. **It’s more than just the money**: it’s a partnership with a social investor who cares about your social mission as much as you do
3. **Impact matters**: it’s not just about the financial return, social investors want to see that their money is being used for good
4. **Honesty is always the best policy**: Pick up the phone, especially if things go wrong. A social investor will work with you, in some cases restructuring loans or offering repayment holidays. But the earlier you flag an issue, the better they can support you
5. **Why isn’t it cheaper if it’s social:** social investment should be considered as one tool in your financial toolkit. It’s not always the cheapest option and you may find that a grant or even a high street bank loan are a better option. But it’s important to consider all options – in particular what the ongoing relationship will look like and what happens if things go wrong.
6. **Due diligence isn’t fun, but it does make your business better**: the due diligence process is designed to uncover any risks that social investment might present to your organisation. It can be a challenging process and often involves sharing budgets, business plans, cash flow forecasts etc. but the benefit is that you’ll gain a much deeper understanding of your organisations strengths and weaknesses.
7. **It takes longer than you think**: social investment isn’t a quick fix. It should be viewed as a tool to support resilience and sustainability in the longer term.

Firstport

Good Finance

Website	Knowledge Hub	LinkedIn	Newsletter

What advice would you give to a founder trying to decide between grants and repayable finance?

Social investment is just one tool in your ‘financial toolkit’. It sits alongside grants, donations, trading income and other sources of finance. Understanding what tool is the best option for your organisation at a given time is key, and often organisations will use a combination of tools at any one time.

Blended finance is a type of social investment that combines both grant and loan.

When exploring social investment you should consider why your organisation needs the money, what it will be used for, and what difference it will make. Social investment is most appropriate where there is a clear purpose, a viable repayment model, and a defined social impact, not simply because funding is available.

What advice would you give to a founder trying to decide between grants and repayable finance?

Is it right for us? a diagnostic tool to help organisations determine if social investment is right for them.

Investor directory: search for social investors across the UK based on your criteria.

Case studies: over 150 examples of how social purpose organisations across the UK have used social investment.

Outcomes matrix: a dedicated tool to help you communicate your impact with investors

Cost of capital calculator: Understand the true cost of social investment

Jargon buster: Demystifying financial terminology

Firstport

The Ventures Lab | Challenges Group

Website **Apply Now** **LinkedIn**

What role does The Ventures Lab play in the funding and social investment ecosystem?

The Ventures Lab supports impact-led ventures developing solutions to social and environmental challenges. We work with organisations at different stages of their journey, from early idea exploration through to ventures preparing to grow and access investment, and continue to provide post-investment support to help impact ventures scale.

Our Build programme strengthens the foundations investors look for. This includes detailed market research, skills and leadership audits, financial planning, governance development, and legal support to help ventures establish robust and credible enterprise models.

We also use our Impact+ framework to help ventures clarify their intended impact, evidence the difference they are making, and demonstrate how impact and income work together within their business model.

Through our partnership with Firstport and the Catalyst Fund, we help ventures prepare for social investment and access patient capital when they are ready. Our growth services then provide ongoing support to help ventures strengthen their operations, manage growth, and use investment effectively as they scale their impact.

What is one common misunderstanding you see about investment readiness?

A common misunderstanding is that organisations need to be fully polished or financially perfect before they can even consider investment. Many founders assume they must have years of stable income, flawless systems, and every detail worked out before approaching investors.

In reality, investors are not looking for perfection. What they want is clarity and credibility. They want to understand how your enterprise works, who pays for your product or service, and whether your leadership team understands the financial and operational responsibilities that come with repayable finance.

This misconception persists because the phrase investment ready can sound like a final destination rather than a development process. In practice, readiness is built over time. Many organisations strengthen their business model, governance, and financial planning while working with support programmes that help them prepare for investment responsibly.

What signals tell you a venture is ready, or not yet ready, for investment like the Catalyst Fund?

One of the clearest signals of readiness is a venture that understands how its enterprise works. This usually means having a clear product or service, evidence that customers or commissioners are willing to pay for it, and realistic financial forecasts that show how repayments could be managed.

We also look for ventures that can clearly explain the impact they are creating and how their activities lead to positive outcomes. Being able to articulate who benefits, what change is expected, and how this connects to the business model gives investors greater confidence.

Leadership confidence is another important signal. Founders who understand their numbers, can explain how income will grow, and recognise the responsibilities that come with repayable finance tend to be better prepared for investment.

Where ventures are not yet ready, the gaps are often similar - an uncertain income model, limited financial forecasting, or impact that has not yet been clearly defined or evidenced.

Firstport

The Ventures Lab | Challenges Group

Website **Apply Now** **LinkedIn**

What advice would you give a founder trying to decide between grants and repayable finance?

The first question founders should ask is what the funding is actually needed for. Grants are often well-suited to early experimentation, testing ideas, or delivering activities that create impact but may not generate immediate income. Repayable finance works best when there is a clear business model and a credible plan for generating revenue that can support repayments.

A useful way to think about the decision is whether the funding will help strengthen a sustainable enterprise. If the investment will enable growth, increase trading income, or build assets that improve long-term stability, repayable finance may be appropriate.

However, if income is uncertain or the activity is primarily grant-funded, taking on repayable finance too early can create unnecessary pressure. Founders should ask themselves: do we understand how we will generate income, and will this funding genuinely help our enterprise become stronger and more sustainable

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What's one lesson you've learned from working with ventures preparing for investment that you wish more social enterprises understood?

One of the most important lessons is that investment does not solve underlying challenges in a venture. In fact, it often magnifies them. If a business model is unclear, systems are fragile, or financial planning is weak, taking on investment can increase pressure rather than create stability.

The ventures that navigate investment most successfully are those that have taken the time to really understand how their enterprise works. They know who their customers are, what drives their income, and how their impact connects to their business model.

Through our Build programme, we often see that the most valuable work happens before investment, refining the model, strengthening governance, and building financial confidence.

Investment can be a powerful tool for growth, but it works best when the foundations of the enterprise are already strong.

What emerging trend or shift in the social investment landscape should ventures be paying attention to?

One important shift is the growing expectation that ventures clearly demonstrate both their impact and their enterprise model. Investors increasingly want to understand not only the social or environmental change an organisation is aiming to create, but how that impact connects directly to a sustainable business model.

This means ventures need to be able to explain who benefits from their work, how their activities lead to meaningful outcomes, and how their income model supports long-term delivery of that impact.

At the same time, more investors are exploring flexible approaches such as blended finance, patient capital, and revenue-based finance, which can better suit impact-led organisations.

For ventures, this creates opportunity but also requires preparation. The organisations best positioned for investment are those that can clearly articulate both their impact and how their enterprise will sustain it over time.

Firstport

The Ventures Lab | Challenges Group

Website Apply Now LinkedIn

If you could give one piece of practical advice to a social enterprise leader reading this guide, what would it be?

Start by being clear about what success looks like and work backwards from there. Before pursuing investment, take time to define the outcomes you want your organisation to achieve, both in terms of impact and enterprise growth.

Ask yourself what this investment will genuinely enable. Will it help you reach more people, strengthen your service, build assets, or increase sustainable income? Is the amount of finance you are seeking enough to achieve those outcomes, and how will you measure whether it has worked?

Many founders focus first on securing funding, but the more important step is understanding how that funding will translate into meaningful progress for the organisation.

When ventures take the time to clarify their vision, strengthen their enterprise model, and define success clearly, investment becomes a tool for growth rather than a source of pressure.

Firstport

Social Investment Scotland

Website Contact Newsletter LinkedIn BlueSky Facebook

What role does your organisation play in the funding and social investment ecosystem?

Social Investment Scotland (SIS) sits at the crossroads of social impact and finance, supporting charities, social enterprises, and community organisations across Scotland to access the funding they need to grow and make a lasting difference. While grants remain important, many organisations require flexible, repayable funding to bridge gaps, expand services, or invest in long-term sustainability.

We offer tailored social investment solutions, including loans and blended funding, designed to meet the unique challenges of organisations tackling social issues. Our customers include community-led housing projects, environmental initiatives and social care providers.

What makes SIS distinctive is our partnership approach. We don't just provide finance, we offer advice, guidance, and ongoing support, helping organisations build financial resilience and plan for sustainable growth.inancial resilience and plan for sustainable growth.

What is one common misunderstanding you see about funding or social investment?

Many charities and social enterprises assume that if they are mission-led or grant-funded, they won't qualify for repayable finance. Others think that taking on a loan automatically puts their organisation at financial risk.

In reality, social investment is often about the right type of capital at the right time. It can be used to purchase a building, manage cash flow around contract payments, invest in new services, or unlock other funding.

Another frequent misunderstanding is around the process itself. Some founders assume the application will be overly complex or that decisions are based purely on financial ratios. While robust financial planning is important, we look at the whole picture: governance, social impact, leadership, and long-term viability.

What signals tell you an organisation is ready or not yet ready, for the type of funding you work with?

When we assess whether an organisation is ready for social investment, we're looking less for perfection and more for preparedness. A strong signal of investment readiness is clarity on why the funding is needed, how it will be used, and how it will be repaid. Organisations that can demonstrate a realistic plan for generating income give us confidence that repayable finance is appropriate.

We also look for:

- a sustainable income model
- good governance and engaged trustees or directors
- up-to-date financial information and cashflow forecasts
- a clear social purpose linked to measurable impact
- leadership that understands both the opportunities and risks involved

On the other hand, there are indicators that an organisation may need more time or a different type of support first.

Warning signs can include:

- unclear or overly optimistic income projections
- weak financial management or limited oversight
- taking on debt to plug a structural deficit
- a lack of understanding about repayable finance
- significant internal instability

In these cases, the right answer isn't necessarily 'no', it may be 'not yet'. Sometimes, grant funding, capacity-building support, or a period of consolidation is more appropriate.

What advice would you give a founder trying to decide between grants and repayable finance?

First, be honest with yourself about what you're trying to achieve and how your organisation generates income. Grants and repayable finance are not interchangeable. They serve different purposes, and choosing the wrong one can create pressure rather than progress.

A grant is often the better choice when:
- you're piloting something new and untested
- the work delivers social value but has little or no income attached to it
- you need core funding to stabilise your organisation
- the risk level is high and outcomes are uncertain

Grants are particularly important in early-stage development or for work that the market simply won't fund. If there's no clear route to generating income to cover repayments, taking on debt can put unnecessary strain on the organisation.

Repayable finance, however, can be the stronger option when:

- you have reliable income streams (trading, contracts, rental income, etc)
- you're investing in an asset, such as a building, that strengthens long-term sustainability
- you need to manage cash flow around secured contracts
- you want more flexibility than restricted grant funding allows

Used well, repayable finance can give you control. It can allow you to move at pace, seize an opportunity, or build resilience without waiting for grant cycles. It can also help organisations develop stronger financial discipline and planning.

The key questions to weigh up are:

- will this funding generate income or savings that cover its cost?
- does this investment strengthen our long-term sustainability, or just plug a short-term gap?
- what level of risk can we realistically carry?
- how will repayments affect our cash flow during challenging periods?

One common mistake is seeing repayable finance as a last resort when grants haven't come through. In reality, it works best as a strategic choice and not an emergency measure. In many cases, the answer isn't either/or. Blended funding - combining grant and social investment - can be the most effective route.

What is one piece of advice you wish every founder knew before approaching a funder?

Passion and purpose matter enormously, but when you approach a funder, you're asking someone to place trust in your organisation's ability to deliver and, in some cases, to repay.

If you can clearly explain:
- how your organisation generates income
- what your main cost pressures are
- what assumptions sit behind your forecasts
- and how different scenarios would affect you
- then you're already in a much stronger position.

Then you're in a much stronger position. Timing also matters. Approaching a funder when you're already in crisis limits your options. Funding works best when it's proactive. We recommend being clear on why you need the funding, being honest about the risks, and making sure the capital fits your business model.

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What does a good partnership look like from your perspective?

A good partnership is built on openness, mutual respect and shared purpose. We recognise that organisations are operating in complex environments. In return, we expect transparency and early communication.

The strongest partnerships tend to share a few characteristics.

1. **Honesty from the outset.** That means being realistic about risks, pressures and uncertainties, not just presenting the polished version of the story. Social investment is built on trust. If something changes, we would much rather hear about it early so we can work through it together.

2. **Strong governance and engaged leadership.** We value organisations where boards understand the funding they've taken on and are actively involved in oversight.

3. **Clarity of purpose.** When an organisation has a clear strategy and understands how funding fits into it, conversations are more productive.

In return, we offer more than capital. We bring experience, insight into funding structures, and a willingness to have constructive conversations.

A successful partnership is one where:
- communication is regular and straightforward
- reporting feels proportionate rather than burdensome
- challenges are surfaced early, not hidden

Ultimately, we see ourselves as partners in your journey. Our role is to provide capital that strengthens your organisation, and to stand alongside you as you navigate growth, change or uncertainty. When trust, transparency and shared ambition are present, the relationship works well, and that's when social investment delivers its greatest value.
Our purpose isn't simply to deploy capital – it's to strengthen organisations that are improving lives and communities across Scotland. When finance is structured well and used thoughtfully, it can unlock opportunity, stability and long-term resilience.

Is there anything else you'd like readers of this guide to know about you or your work?

We also recognise that the funding landscape can feel complex, and part of our role is to make it clearer and more navigable. That means being approachable, explaining our decisions transparently, and having honest conversations.

It's also worth saying that social investment isn't static. The needs of the sector evolve, and so do we. We continue to adapt our services and partnerships to reflect the realities organisations face – whether that's economic uncertainty, changes in public funding, or emerging social challenges.

Above all, we want organisations to feel able to start a conversation with us. You don't need to be 'perfectly investment ready' to get in touch. Sometimes the most valuable first step isn't an application – it's a discussion about what kind of capital, if any, genuinely supports your mission.

We hope readers take away that the right funding, at the right time, can be transformative – but only when it aligns with purpose, capacity and long-term vision.

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Firstport in collaboration with The Ventures Lab Challenges Group, SiS Social Investment Scotland, Good Finance

The way we fund social impact shapes what becomes possible.

It is not about choosing the ‘right’ option once and for all, but about understanding fit, timing, and context as your organisation grows.

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