Social Investment IN ESSEX

essex partnership
shaping the future of essex

Social Enterprise East of England

QUICK FACTS ON SOCIAL INVESTMENT

WHAT IS SOCIAL INVESTMENT?

Social Investment is defined as finance provided for VCSE (Voluntary, Community and Social Enterprise) Organisations, from which the investors expect both financial and social returns.

WHY IS SOCIAL INVESTMENT IMPORTANT NOW?

1. Social Investment recycles the money going into the VCSE sector. Resources are scarce so the fact it is paid back means there is more to go around in future
2. It also attracts new sources of finance, from individuals, private firms or financial institutions, who want to make good things happen
3. The fact that more VCSE organisations are trading, and can therefore demonstrate income to pay back investors, means the potential market for social investment has grown

HOW BIG IS SOCIAL INVESTMENT? [1,2]

Social Investment funds 'in play' in the UK are estimated at £1.5 billion.

Annual investment in 2015 reached £427 million, which is double the amount in 2011.

Traditional commercial lending to VCSE organisations, by comparison, is estimated to be £620 million per year.

Around 3,000 VCSE organisations nationally are benefiting from Social Investment.

ESSEX RESEARCH ON SOCIAL INVESTMENT[3]

Social Enterprise East of England surveyed 122 organisations based or operating in Essex (including Southend-on-Sea and Thurrock) in early 2017, to gauge awareness and experience of Social Investment. The target group was established organisations rather than very small voluntary associations.

Follow-up qualitative research was undertaken with 20 larger organisations with plans for expansion.

1 Robinson, M. (2016) The Size and Composition of Social Investment in the UK. London: Big Society Capital
2 Floyd, D. and Gregory, D. (2016) The Forest for the Trees: UK Banks' Investment in a Social Purpose. London: RBS
3 Full report will be available at www.seee.co.uk

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Key findings from our research

'Neither a borrower' - experience with loan finance in Essex

- Only 13% of respondents had ever applied for loan finance
- Finance had been sourced from a mix of social investment providers and high street banks
- Most had used the finance for capital projects such as acquiring assets or refurbishing buildings
- A further 9% of respondents had considered borrowing but not pursued this option with risk identified as a significant reason

Essex as a market for Social Investment - there is an appetite for growth but not always the available capacity to achieve this

- 27% of respondents had plans to expand their organisation
- A further 30% had ideas about expansion but little time to develop them
- The qualitative research found those that had used social finance were mostly positive about the experience and would borrow again in the future – with a number of respondents open to innovative approaches to generating income

Awareness needs raising - there is still a lack of knowledge about what models of social finance are available and who the providers are

- From a list of six national and regional providers, only one (Charity Bank) was known by over half of respondents
- The majority of respondents were unaware of Social Impact Bonds, Community Bonds and Community Share Issues as an option
- Considerably more respondents (93%) had heard of crowd funding than other alternative sources of finance

A need for support - organisations identified a need for tailored support, including to develop trading activity

- More than half of respondents identified a need for funding support in the future
- Around a third identified a need for support with developing goods or services, marketing and measuring impact
- Organisations that had sought advice were using a range of sources; the qualitative research found the most positive feedback was for support from peers and networks
- Respondents thought it was beneficial if support organisations had specific expertise in social enterprise or supporting value-led organisations

Barriers to overcome - a number of barriers to growth and taking on finance were identified, including:

- A risk averse culture amongst organisations and trustees
- Not generating enough income through trading to repay loans
- Short-term contracts not providing enough security to borrow against
- Insufficient capacity or financial management systems to take on borrowing

Recommendations

1. Support in business planning and finance to help organisations assess risk
2. Raising awareness of the Social Investment 'offer' to help to grow the market
3. Providers bringing knowledge in to help increase awareness and competition
4. Peer to peer support to help disseminate existing knowledge and experience
5. Longer contracts from public sector customers to help financial planning for growth
6. Trustee involvement in training and development to help them become less risk averse

Join our Social Investment Readiness Programme if your organisation:

- ✓ Is a social enterprise, charity, or a public service with plans to 'spin out'
- ✓ Is at least two years old with accounts for this period
- ✓ Has an annual turnover of at least £100,000
- ✓ Generates at least 25% of its income from trading
- ✓ Seeks to capture impact, is planning to grow, and is collaborative in its approach
- ✓ Can secure approval from its board to explore Social Investment as an option

▶ **You are eligible to join our FREE programme – for more information and to apply, email admin@seee.co.uk**