

Report on SOCIAL FINANCE OPPORTUNITIES WORKSHOP HOSTED BY UNIVERSITY OF WORCESTER AND WORCESTERSHIRE COMMUNITY FOUNDATION

Friday Morning 30 May 2014

This excellent workshop attracted an audience of over 30 people across the voluntary and public sector and aims to kick start a Worcester wide approach to maximising the benefits of Social Finance in the County.

After welcomes from MP Mark Garnier, and Rob Sykes, Director of Ethical Leadership at the University 3 main speakers presented differing perspectives on Social Finance before all were invited to participate in table discussions on the way forward. Mark confirmed the government's support for the whole concept of investing in the Voluntary & Community sector to deliver services and reduce public costs, including through Social Investment Bonds.

The full presentations should be available on the Community Foundation website shortly at <http://www.worcscf.org.uk/news.aspx> but the highlights for me are summarised here.

Antony Ross, Partner and Head of Social Funds, Bridges began with a comprehensive overview of the Social Finance market - "a spectrum opening between traditional investment purely for profit, and philanthropy, with an emphasis on community regeneration." Bridges is a fund manager half owned by a charity and as such is securely committed to those objectives.

The emphasis of all that Antony explained was that a range of new approaches mixing commercial, charitable and governmental funds could be applied effectively and often "recycled" provided the commitment was first made to "make an impact" rather than "make a profit" and second, to sustain that capital for future impact.....any enterprises which prove profitable must not be "cherry picked" by profit maximisers buying them back into the traditional commercial sector.

Successes were now widespread – for example a gym group established to limit membership fees at £15/month has now grown to £250,000 members.....and the market opened up for lower cost providers and lower earning members.

In the purely social sector the Social Enterprise approach developed by commercial funders was now "meeting the voluntary sector coming back" and offering, for example community transport solutions – initially with charitable or philanthropic investment but now sustainable with cross-funding and economies of scale from "mainstream" commissioned service contracts with Local Authorities. In the Channel Islands this had successfully unseated a long held monopolistic supplier with appalling industrial relations problems.

Antony then explored the range of changes and developments occurring which would improve the "market place" for Social Finance including changes in government regulations on companies and workings of the Charity Commission, the development of Social Banks and direct financial support of Government sourced capital (Big Society Capital), and the Social Stock Exchange. Social Investment Bonds, he explained are not normally a true bond, but a system of linked commitments and contracts where a social enterprise commits to deliver a service using private capital loaned on the basis of a promise from governmental bodies to pay by results. It provides a mechanism to both overcome the Social Sectors immediate dearth of working capital and, potentially a means to build in capital for future "recycling".

Questions revealed that:

- traditional mainstream trusts such as Esme Fairbairn and Lloyds Foundation are also investing money with a view to greater impact from recycling
- issues of the morality of Social Investment Bonds could be viewed more in terms of specialisation of risk management – the risk is born – or the opportunity seized - by the organisation that understands the situation best and seeks to share that risk with people used to taking risks – the private sector –rather than the risk averse Treasury.

- The Treasury computation of the value of such “Results” to the public purse is still the biggest barrier to progress as with the green investment in the energy industry and other very long term investments. Where direct costs exist – such as charges made for residential accommodation of children in local authority care – the calculation are easy – but in other areas such as reduced hospital admissions and long term medical conditions in an aging population – they are very difficult.
- Returns normally offered or planned for commercial/private sector lenders are “single digit %”

Richard Nicol, Chief Executive, Midlands Together CIC explained his organisation’s approach based on a model developed in Bristol which uses the profits available on property refurbishment to both improve housing and also train and stabilise ex-offenders. Midlands Together concentrates on the bit it knows best, the finance and property business, and works with social enterprise partners to provide the training and refurbishment work. A good return (4%) is guaranteed to investors who are prepared to lock in for 5 years and a higher one (6%) available if investors are prepared to share the risk. For ex prisoners the results are amazing with less than 5% reoffending to date. Their targets are now set to assist 20 – 30 ex-offenders with specific skills, have less than 10% reoffend and refurbish 15 properties per annum. On this basis their prospectus for a £3m bond was oversubscribed by 45% in 3 months – 44% being private individuals investing at least £20,000 each, 34% charitable foundations and 22% from Ethical Investment Funds. Richard’s conclusion is that “it is easier to socialise the commercial sector than commercialise the social sector”which sounds like a challenge we should rise to! As an example he took Centrica (the organisation which manages distribution of gas and electricity) whose Ignite initiative is offering both financial and professional support to social enterprises such as his own.

Nick Parker, Executive Manager, Vestia Community Trust described the challenges his organisation and others were addressing in applying these approaches to meeting family needs, community regeneration and barriers to employment. His work has included extensive research over the years, including the Total Place period, and now, with the Worcestershire Local Enterprise Partnership, is bringing together a group of committed partners into a scheme which will fund the most difficult work from Lottery and European Social Funds and lock in to greater government contribution from DWP and other growth funds. It relies on a building up of trust between smaller organisations and a “prime contractor” with mutual accountability. The risk of progress stalling when policies and structures change- such as the current reorganisation of the Probation Services are always present and the highest challenge is to ensure that the solution offered is the right one for the customer – the family or community rather than the silo managers of policy and funding. In support of this aim more evidence is needed – the challenge is huge but the prize is bigger still.

The Workshop participants were then set the task of identifying a way forward for maximising the benefits and progress of Social Finance in Worcestershire. Provisional conclusions were:

- Some sort of umbrella network would be helpful especially around fund management, and new instruments. The University is willing to continue to facilitate and offer research capacity
- Whatever is added must determine to work with what is already there and complement it
- There could be no single solution if innovation and a good rate of progress is to be achieved
- Policy makers need to address issue of data sharing and simplifying value for money information – There is a risk that measurement becomes too expensive
- Health and Local Authorities and other Statutory Agencies could not “hold the ring” – or the chair as they are important commissioners of many services
- There was an acknowledgement that The Community Foundation was structurally well placed to take a lead but no immediate agenda was forthcoming and everything needed to underpin a collaborative, collegiate approach.
- There is an urgent requirement to communicate needs and solutions which we can offer to the potential commercial and other funding partners, and again these were under represented at the table