SOCIAL INVESTMENT INSIGHTS SERIES

March 2015

Communities and Social Investment

Across the UK, a growing number of communities are coming together to develop locally-based solutions to local problems. Many of these community organisations are also building steady income streams to enable them to not only address persistent social needs, but also to become more sustainable as organisations.

Big Society Capital sees community organisations as essential to achieving our vision of an accessible and participatory social investment market. We have identified some of the roles that social investors can play in catalysing growth in supporting this.

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The Social Investment Insights Series are occasional papers drafted by members of Big Society Capital's team on areas of interest to the social investment market.

Big Society Capital is a financial institution with a social mission, set up to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. It is doing this by building a diverse social investment market: encouraging investors to lend or invest money to achieve a social as well as a financial return. Since it was set up as an independent organisation in 2012, Big Society Capital has committed over £165 million in investments to specialist organisations who lend to charities and social enterprises. Over five years Big Society Capital will be capitalised with approximately £600 million, from a combination of English dormant bank accounts and the four main UK high street banks.

EXECUTIVE SUMMARY

For the purposes of this paper, we have defined 'community' as a physical community: which is a group of people living in a similar geography or location.

Communities across the UK have faced a decline in government spending both nationally and locally, resulting in weakened socio-economic outcomes, as well as a general lack of empowerment to affect change. In the past, several initiatives have attempted to improve the state of communities however many of these were not community-led, nor were the solutions owned by local people. In recent years, local authorities across the country have been looking to dispose of assets, owing to changes in policy as well as the economic climate. Community members have responded to these challenges by coming up with new ways of improving their localities.

Community enterprises and ownership of assets have emerged as solutions which can achieve real community engagement, ownership and empowerment. Communities are starting-up enterprises with the community's interests at heart, as well as acquiring and developing important local assets which hope to deliver sustainable revenue streams alongside social change. Examples of these range from community shops and pubs, to solar and wind projects, libraries, housing and industrial buildings.

These types of projects have the potential to create widespread impact, both at a community-level (e.g. reducing social isolation, increasing community cohesion) and on a socio-economic basis (e.g. reducing crime, unemployment). The most impactful community interventions identify issues local to their area and develop solutions to address those needs. Assets can have impact through the direct activities of their tenants, as well as through any rental surplus profit that can be reinvested into communities.

There are many challenges facing communities that want to deliver projects of this nature including a lack of time and appropriate skills within the community, lack of available finance, difficulty in developing a financially viable business model, challenges around governance, low representation of minority groups and precarious relations with local councils.

The above factors mean there are many opportunities for social investment to play a catalytic role. The biggest opportunities are around blended grant-loan products for higher risk pre-feasibility and feasibility work as well as capital acquisition in communities with entrenched market failure. Alongside blended products, investment is needed funding growth, bridging or underwriting finance, and warehousing of assets. Big Society Capital sees this area as an essential component to its vision of a social investment market which is accessible and inclusive to ordinary individuals across the UK.

SOCIAL NEED

Big Society Capital Outcomes Matrix: Citizenship and Community	
Big Society Capital's Outcomes Matrix represents a map of need in the UK. It has been designed from a beneficiary perspective and includes nine outcome areas which reflect what a person needs to have a full and happy life. *The citizenship and community outcomes are shown opposite.*	**Individual:** The person lives in confidence and safety, and free from crime and disorder. The person acts as a responsible and active citizen and feels part of a community. **Community, sector and society:** Stronger, active, more engaged communities.

There are communities in the UK which have faced persistent and entrenched social issues. Especially now, while facing a significant decline in public spending both nationally and locally, these issues have been exacerbated, leading to a decline in community cohesion and engagement.

Strong communities have long been a priority for government. In 2004, Sir John Egan was asked by government to examine why many of our communities were not places where people wanted to live and work and were unsustainable for future generations. The result of that study was the Egan Wheel, describing eight necessary characteristics of sustainable communities. These are: social and cultural; governance; housing and the built environment; transport and connectivity; economy; equity; environmental; and services.[1]

> *"Sustainable communities meet the diverse needs of existing and future residents, their children and other users, contribute to a high quality of life and provide opportunity and choice. They achieve this in ways that make effective use of natural resources, enhance the environment, promote social cohesion and inclusion and strengthen economic prosperity."*[2]

Ten years later, communities face even greater challenges than those outlined by Sir John, owing to the recession and the decline in public funding[3]. Sir John's eight elements remain relevant and can be grouped under three broad headings which describe the strength of a community:

1. **The quantity and quality of social interactions,** indicated by levels of participation and engagement by community members, social isolation, cohesion, and well-being

2. **Socio-economic situation,** indicated by levels of poverty, employment, education, skills and capacity, financial inclusion, critical services, equality

3. **Appropriate infrastructure**, indicated by availability of transport links, affordable shops and appropriate services

Well-being

Well-being can be a useful indicator of how well our communities are doing. The Office for National Statistics (ONS) Measuring National Well-being programme started in 2010. It aims to produce accepted and trusted measures of well-being in the UK. There are 41 measures split across ten domains: personal well-being; relationships; health; what we do; where we live; personal fnance; economy; education and skills; governance; and natural environment.[4]

[1] Egan, Sir John. (2004). Skills for Sustainable Communities. London: Office of the Deputy Prime Minister.
[2] Egan, Sir John. (2004). Skills for Sustainable Communities. London: Office of the Deputy Prime Minister.
[3] http://www.jrf.org.uk/sites/files/jrf/community-assets-challenges-opportunities-summary.pdf
[4] http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/index.html

Certain indicators are showing downward trends with regards to the health of our communities. In 2012/13, 62.9% of people agreed or strongly agreed they felt they belonged to their neighbourhood, down from 66% in 2009/10. Only 58% of females reported feeling fairly safe walking alone after dark in 2013/14, down almost 7% from 64.6% in 2011/12. A fifth (20.2%) of households in the UK in 2012 reported great difficulty or difficulty in making ends meet. In 2011, 58.4% of people aged 16 and over in the UK reported that they felt close to other people in the area where they lived, lower than the EU average of 66.6% and ranking 27th out of 28 countries.[5]

Fuel Poverty

A UK household is defined as being in fuel poverty if their required fuel costs are above the median level and if they were to spend what is required, then the household would be left with a residual income below the poverty line. As of February 2014, there were 2.46 million households, or 6.99 million people, living in fuel poverty in England. Using the original definition that a household would have to spend over 10% of its disposable income to pay for adequate energy services, in February 2014 there were 6.59 million households in fuel poverty across the UK (almost exactly 1 in 4 households), 4.82 million in England.[6] Three key drivers of fuel poverty are low household incomes, poor heating and insulation standards and high energy prices.

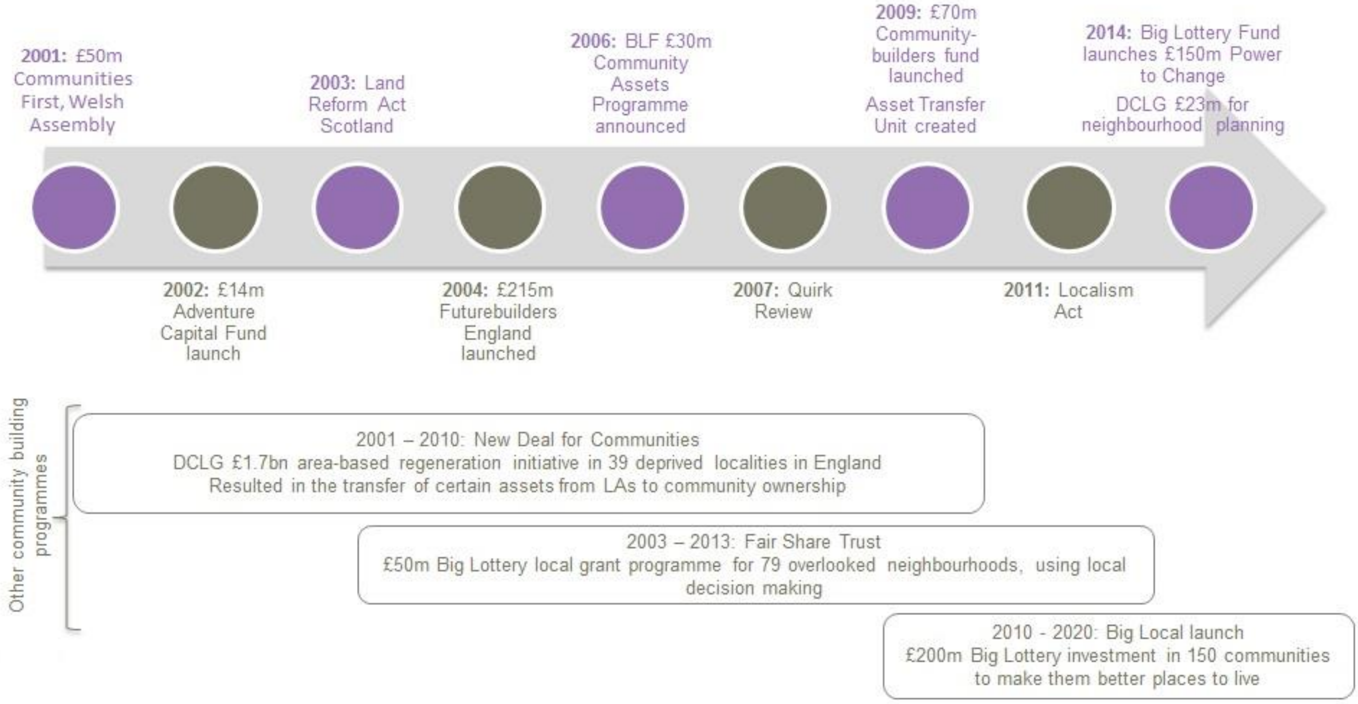
[5] Randall, C., Corp, A. ONS Measuring National Well-being: European Comparisons, 2014 (18th June 2014)
[6] http://www.ukace.org/wp-content/uploads/2014/02/ACE-and-EBR-fact-file-2014-02-Fuel-Poverty-update-2014.pdf

CURRENT LANDSCAPE

Policy

The past decade has seen a number of key initiatives promote community regeneration, as well as community ownership and management of assets.

Diagram: Key Initiatives for Communities Since 2000



Recent policy has shifted power into the hands of community members. The Localism Act of 2011 defined four ‘Community Rights’ (Right to Build, Right to Challenge, Right to Bid and Neighbourhood Planning) giving communities more control of their localities. The Rights can help communities save local shops, pubs, libraries, parks and football grounds. The Community Right to Buy in Scotland (2003[7]), has been a key driver of community land buy-outs, particularly in the Highlands and Islands.

Alongside the Community Rights, the Department for Communities and Local Government have run a three-year support programme including a community assets and services grants programme managed by the Social Investment Business (SIB), and an advice service managed by Locality. This programme will end in March 2015[8], however a further £23 million has been allocated for neighbourhood planning[9].

Local authorities across the UK have shifted the ownership and management of buildings and land to community groups. There were circa 1,500 transfers throughout England from 2007-2012, and three out of four councils are estimated to be actively engaged in asset transfers[10].

[7] http://www.scotland.gov.uk/Topics/farmingrural/Rural/rural-land/right-to-buy/Community
[8] http://www.sibgroup.org.uk/communityrights/guidance/
[9] https://www.gov.uk/government/news/23-million-to-get-more-neighbourhood-plans-across-england
[10] http://mycommunityrights.org.uk/wp-content/uploads/2012/04/LOCALITY-ASSET-TRANSFER_UNDERSTANDING.pdf

Appetite

Since September 2012, over 1,500 assets have been registered as Assets of Community Value in England under the Community Right to Bid legislation[11]. In the rural sector, 328 community-owned shops have been set-up over the past 25 years, of which only 13 have failed. The Plunkett Foundation currently reports 35-75 enquiries per month from rural community groups wishing to set up enterprises such as pubs, bakeries and shops[12].

Market

There are a broad range of organisations who work with and for communities, including local charities, community development financial institutions, civic or heritage trusts, community organisations and local government. This research has focused on community led and run organisations.

Community assets can be land, buildings or other assets that are owned or managed by community-based organisations. These independent organisations are located within a physical community, and include significant community representation on their governing board or committee. Their main or exclusive focus is to seek benefits for certain defined people or places in the locality where they are based. The ownership or management of assets conveys day to day responsibility for their operation and use, whether through leasehold or freehold.

Joseph Rowntree Foundation completed a survey in 2010 which identified 640 community-organisations owning assets across the UK[13]. The key finding was that the scale and scope of community organisations is very small: 56% earn under £100,000 each year, while 61% employ less than four staff.

The report identified three main reasons community groups look to acquire assets:

1. They have been gifted an asset, most often by the local council
2. To prevent neglect or disuse
3. The asset has been developed intentionally to provide revenue for the local community

The majority of assets acquired are buildings, with 75% of organisations reporting building ownership, followed by land at 28% and energy assets at 3%. These assets are either under full community-ownership (63%), or leased or rented from other owners. Interestingly, only 3% of asset acquisition was financed via loans, while 20% was through a grant of some sort and 13% by a gift, legacy or endowment.

Examples of Types of Assets:

- Town and village halls
- Community centres
- Sports facilities
- Social housing
- Libraries
- Multi-purpose settlements & social action centres
- Village shops
- Pubs
- Community energy facilities
- A historic building managed by a Building Preservation Trust
- Parks and natural reserves
- Heritage and Arts facilities

Examples of Revenue-Generating Uses:

- Rent out rooms or social spaces
- Let offices or retail units
- Operation of cafés, restaurants and bars
- Offer welfare services to neighbourhood (e.g. Jobcentre Plus, Citizens Advice)
- Provide resource for local groups
- Provide lifeline services (post office, shops)
- Encourage volunteering, employment and enterprise
- Manage parks and leisure facilities
- Delivery of public services

[11] https://www.gov.uk/government/news/milestone-reached-as-community-rights-uses-hit-3000
[12] Conversation with James Alcock, Plunkett Foundation 3rd October 2014
[13] http://www.jrf.org.uk/publications/community-assets-learning-challenges-questions

Social Impact of Community Asset Ownership and Management

Several key social outcomes of owning and managing community assets were identified by JRF and Big Lottery Fund research:

- Building community identity and cohesion
- Enhancing community capacity
- Improved and more accountable services
- Community economic regeneration
- Improving the environment
- Enhancing democratic voice

Social benefits vary significantly between projects. In some cases, the building itself provides a hub and offers opportunities for local residents to do things locally rather than go further afield. This is especially important in villages where facilities such as post offices and schools are no longer viable. Revitalising larger assets brings people back to neglected areas, creating 'communities of choice' with ample jobs, training and enterprise creation opportunities.

Beyond the building itself, other project outcomes include wider regeneration of an area, increased social cohesion and a renewed sense of community identity (e.g. "the building itself was important, but it has created an amazing ripple effect of spin-out activity and unanticipated benefits"[14]).

It should be noted that measuring community benefit from asset ownership is quite complex owing to issues of attribution (how much of the change can be attributed to the project), and how to measure more intangible benefits, such as increased well-being.

At Big Society Capital, we believe that the ownership and management of community assets should not be considered the end but a means to achieving social outcomes. To have the greatest impact, usage of community assets should be driven by the community and should address needs specific to the locality (e.g. unemployment, health, troubled youth, crime).

Social Impact of Community Energy

Community energy generation has more specific potential for impact. It is a relatively easy way of supplying energy to local people, and generating income streams that can be vital for community organisations to become viable and maintain sustainability. It is also an effective way of addressing social issues such as fuel poverty.

Renewable energy income streams do not discriminate on geography or affluence, which make them an ideal intervention for communities in deprived areas. Community energy projects have the opportunity to deliver impact in six ways:

1. Through the use of surpluses for social purposes in areas of need
2. Through the involvement of the local community via appropriate governance structures (giving them work experience, training, skills and engagement)
3. Through the long-lasting legacy of valuable asset ownership for communities
4. Through the provision of cheaper energy for organisations or individuals, and the redirection of those energy savings to demonstrated impactful initiatives
5. Through the provision of clean energy and increased energy efficiency
6. Through local procurement during development and construction, encouraging local spending (providing jobs, skills, work experience for local community members)

[14] Aiken, M., Cairns, B., Taylor, M. and Moran, R. (2011). Community Organisations Controlling Assets: A Better Understanding. Joseph Rowntree Foundation, pg.53.

Success Factors and Risks

There are several factors that determine the success or failure of community owned and managed projects, summarised in the table below[15]. One of the largest challenges in this area is the capacity of the local community to carry out often complex projects, mostly through volunteers' efforts.

Success Factors

- ✓ Assets are fit for purpose and capable of supporting revenue streams
- ✓ There is a focus on financial sustainability including appropriate sources of investment
- ✓ Adequate financial and business planning
- ✓ Capacity and leadership within the community with skills and time to make assets work, including viable succession plans
- ✓ Effective governance
  - ✓ Clarity of role and function
  - ✓ Equal and democratic control
  - ✓ Open and inclusive membership
  - ✓ Constructive approach to asset transfer on part of public bodies
- ✓ Long-term community control
- ✓ Engagement from the wider community, including a well-represented cross-section of members
- ✓ Ensuring usage of assets is accessible, affordable and inclusive to all in the community

Risks

- × Physical assets could become liabilities if they are unable to generate the revenues needed to fund repairs, maintenance and ongoing operational costs owing to:
  - condition or nature of the building
  - employee liabilities (e.g. TUPE)
- × Unsustainable business models owing to:
  - weak(ening) local economy
  - pricing of public service contracts
  - lack of clear purpose
  - lack of market awareness
- × Inadequate and unrealistic financial and business planning
- × Lack of community support and capacity
  - difficulties recruiting volunteers
  - stress and burnout of leaders
  - lack of skills
- × Poor governance – blurring of roles and accountabilities and not adapting to differing skills requirements as a project progresses through different stages (e.g. acquisition, development, early stage business start-up)
- × Public bodies resist asset transfer (e.g. drawn out negotiations or onerous usage restrictions)
- × Low representation of minority groups, little buy-in to development projects and therefore reduced revenues

[15] Ibid (pg. 55-70)

CHALLENGES FOR SOCIAL INVESTMENT

In the current economic climate, community organisations are reducing their reliance on dwindling grant pots. There is appetite for investment, but at an affordable cost that will not put the organisation at risk. They remain sceptical of the benefits of taking on investment. Organisation members are usually volunteers striving to make these businesses work and don't want to be overburdened by debt. Rather than take on "expensive" investment, community organisations are often willing to wait years to raise further grant or community share funding[16]. There is, however, an opportunity cost to delaying projects.

On the other side of the spectrum, traditional banks will sometimes lend significant sums to community groups where there is a credit history and they perceive the risk is very low or reduced by other funding which can absorb the risk. New forms of investment in the form of community share issuances and crowdfunding platforms also provide alternative forms of social investment for organisations to fund their projects.

For investors, there are some major operational risks to be considered when investing in community projects:

- The feasibility stage requires a considerable level of professional skills (architects, planners etc.) – the costs for which are "at risk"
- Establishing viable business models is challenging and takes longer than anticipated
- Ensuring leadership continuity, since breakdown is one of the biggest risks and strongly correlated with deteriorating credit quality
- Initial asset acquisition and development is high risk
- Community organisations lacking in key skills are at risk of inheriting assets that are unsuitable (e.g. TUPE & pension liabilities, building damage, etc.)

There are also some impact risks to be considered:

- Investing in community projects which do not have a clear social mission may result in interventions that are not deep, nor owned by the community
- Community asset projects could increase social inequality if owned and controlled by a group of non-representative individuals within a community
- Barriers exist for communities with less access to professional skills in their volunteer base, making it more difficult to make these projects work
- Gentrification can squeeze out long-standing local members of a community
- The proportion of the asset used for commercial purpose may diminish social returns

Deprivation

The potential to have deeper impact is arguably greater in deprived communities because socio-economic issues are more prevalent. If an asset is used to address local issues, the potential for impact is greatest. However, working with deprived communities has its own opportunities and challenges. The opportunities may include: a larger supply of assets owing to neglect and buildings falling into disrepair; cheaper prices to acquire; and greater potential for deeper and more long-lasting impact. The challenges may include: smaller pools of community members with professional skills; lack of critical networks; smaller amounts of capital for community share offers; and potentially less ability to service loans through commercial activity.

[16] Conversation with James Alcock, Plunkett Foundation 3rd October 2014

OPPORTUNITIES FOR SOCIAL INVESTMENT

There is a range of ways social investment can be used within a community to address the needs identified above. This varies from financing local charities and social enterprises directly to crowdfunding for local projects to helping communities acquire, develop and use community assets. Different types of capital are required for each.

In particular, developing community assets as viable propositions is very difficult. There are four main stages of development which need financial support:

1. **Pre-feasibility –** often a grant up to £10,000 paying for scoping work and business plans
2. **Feasibility –** grant or repayable-grant (only becomes repayable in the case of achieving certain milestones, such as planning permission) which pays for detailed architectural work, surveys and taking a project through planning
3. **Acquisition and development –** often requires investment capital to facilitate the purchase and development of buildings and other assets
4. **Sustained growth –** often requires investment capital to facilitate growth and expansion to multiple assets

A range of financial products may be suitable for the different stages of community asset development, but also for other community investment opportunities. These products (such as secured debt, unsecured debt and community shares) need to gain wider public recognition, geographical spread and reach all communities regardless of affluence. There is also a need to design new approaches and products to suit a range of needs (e.g. longer durations and blended products which reduce monthly commitments). Social investment can play a worthwhile role in supporting these stages of development and building this market in the following ways.

Community Share Issues

Issuing community shares involves putting up a portion of a project's equity for sale via "withdrawable shares", which can be purchased by any individual. They can only be issued by co-operatives or community benefit societies registered with the FCA; and operate under a strict one member, one vote mandate. A source of patient capital for projects, they ensure widespread participation from the community, often helping to secure future customers. They enable individuals from all backgrounds to invest an amount affordable to them, reaping the benefit of ownership and inclusion in return. There have been almost 250 share offers since 2009, which have raised in excess of £50 million from around 50,000 members. This is an expanding and important market, growing from a handful of share offers worth £2 million in 2009, to 60 share offers in 2013, raising nearly £15 million[17]. Roles for social investment include supporting share issues to ensure they are successful, either making the full capital requirement available up front to allow projects to get going, or topping-up nearly successful raises.

Example: The Bevy Pub in Brighton completed a community share offer which raised £200,000 from over 600 members, the highest number of members of any co-op pub in the country.

Blended risk capital

The first three years of a project's life are highly risky as the (often new) organisation undertakes asset development and establishes a business model. Organisations can take on debt to acquire and refurbish assets, but some layer of grant support and/or equity is often required to reduce the strain on organisations, de-risk the profile for investors and fund support and advice. The proportion of grant, loan and community contribution (such as community shares, public donations or philanthropic gifts) a community will be able to sustain will differ depending on their particular circumstances.

[17] Simon Borkin, Community Shares Unit, presentation at BSC, 27th August 2014

Example: Plunkett Foundation's Village CORE programme enabled 96 rural village shops to open and access advisory support from 2006-2012, alongside a £20,000 grant from Esmée Fairbairn Foundation matched with a £20,000 loan from Co-operative & Community Finance and £20,000 community contributions. During the same period, a further 66 opened, many of which were inspired and supported through the advisory support funded by this programme.

Investment capital for growth

Social investment has an important role to play in the growth phase of community projects, by providing either unsecured loans to more established organisations for working capital or secured loans to fund additional asset purchases.

Example: Bransholme in Hull is one of the largest housing estates in Europe where childcare provision is lacking. Bransholme Community Childcare grew to four nurseries within five years and received financial support from Key Fund to acquire a new site after being rejected by banks and other traditional sources of finance.

Bridging, matching or underwriting

A critical issue can be having enough time to assemble a mixed funding package, with funders often requiring a match. Social investment can help groups quickly raise matching grants, local donations or community shares. Big Lottery Fund's £150 million Power to Change grant programme, set to be up and running in early 2015, could be an opportunity for social investment to top-up incoming community enterprise grants.

Example: Age Concern Forest of Dean is a small volunteer-run group providing 700 fresh hot meals each week to elderly people's homes, delivered by volunteers. It secured a £98,000 EU grant to move and re-install its kitchen, but would only receive the funds upon completion of the project. CAF Venturesome provided a £50,000 bridging loan to ensure it went ahead.

Example: Resonance's Affordable Homes Rental Fund provided loan finance to Homes For Wells to support them in converting an old building into homes to rent to local families in Norfolk. This loan acts as bridging finance until the point the community group can refinance with a traditional lender in the future.

Transitional ownership of assets

Even with grant support, not all communities may be able to take on ambitious projects from the outset. Servicing high levels of debt puts strain on cashflows at critical stages. Social investors could act as initial (co)-owners and developers of assets with a view to transferring to communities once developed and viable. This asset transfer could be funded through community share issues or a social mortgage.

Example: Esmée Fairbairn Foundation's Land Purchase Facility acquires sites of strategic importance on behalf of conservation organisations which then have two years to fundraise and purchase the land back from the fund.

Community energy schemes

Community energy generation can be used to supply energy to local people, and generate income streams that can be vital for community organisations to become viable and maintain sustainability whilst cutting carbon emissions. This is a time-bound opportunity, only investible as long as government incentives for generating energy remain in place (e.g. Feed-In-Tariffs). Social investment can play a crucial catalytic role in enabling these projects to establish and flourish. Social investment can make the most difference by prioritising small-scale projects which find it more difficult to attract commercial finance (typically <£1.5 million), projects in deprived areas and projects which maximise impact delivered through the six identified streams on page 8.

Example: Social Investment Scotland supported Point and Sandwick Community Trust with a £1.1 million investment into a wind farm with an installed capacity of 9MW – the largest commercial-scale *community-owned energy project in the UK. Over its 25 year life span, it is expected that £20 million will be returned to community projects across the Western Isles.*

Beyond these opportunities, certain enablers would help unlock the potential of these projects. These enablers include: feasibility funding and support; platforms for community engagement and fundraising; and a “one stop shop” for grants and loans.

PRIORITIES FOR BIG SOCIETY CAPITAL

Current Portfolio

Communities are represented in a significant proportion of Big Society Capital's portfolio across nine investments, totalling £39.9 million:

1. £1.5 million revolving credit facility to Pure Leapfrog Community Energy Fund which provides finance for community energy projects in deprived communities.

2. £0.75 million to FSE Group's Community Generation Fund which supports disadvantaged communities to develop community owned renewable energy projects.

3. £1.05 million to Developing and Empowering Resources in Communities CIC (DERiC) which provides finance for community-owned social enterprises that will use community-generated social capital (volunteers) to improve local services.

4. £10 million to Social and Sustainable Capital's Community Investment Fund which supports investment in community based organisations that are improving the lives of local people, particularly the vulnerable and disadvantaged.

5. £8 million to Social Investment Scotland's Social Growth Fund which provides regional finance for charities and social enterprises in Scotland looking for growth capital. A portion of their portfolio involves community energy projects and community shops. SIS's mission is to connect capital with communities, making investments that make a real, measureable and sustainable impact on people's lives.

6. £1 million to Resonance Community Land and Finance CIC Community Share Underwriting Fund, which offers loans to community-led organisations in the UK looking to acquire or develop community-held assets. This facility finances up to half of the equity target of a community share issue, allowing the group to proceed with their project even if the initial community share issue does not reach its full target.

7. £2.5 million to Resonance Community Land and Finance CIC Affordable Homes Rental Fund, which offers loans to community groups who are undertaking affordable housing projects for their community.

8. £14.5 million in ordinary shares of Charity Bank, one of the largest lenders to the UK social sector which supports many community groups and projects.

9. £0.6 million equity investment in Spacehive, an online donation-based civic crowdfunding platform, allowing individuals to contribute to local projects that matter to them.

Future Opportunities

We are seeking investments that will allow more people to participate in social investment, whether through community shares or through supporting their local community in other ways. Specific areas of focus include: community energy proposals, community investment funds supporting asset ownership and enterprise that likely include some form of blended capital, and initiatives promoting community shares and platforms for greater participation.

The above list is not exhaustive so if you have an enquiry about whether a potential investment is eligible for Big Society Capital investment please contact us through our website: www.bigsocietycapital.com. Please note that Big Society Capital is a social investment wholesaler, which means we can only invest via social investment finance intermediaries.

CASE STUDIES

Using Community Energy to improve local outcomes

Pure Leapfrog Community Energy Fund

The Sandfields and Aberavon areas have suffered greatly over the past few decades with the decline of mining and the steel industry resulting in a loss of thousands of jobs. New Sandfields Aberavon (NSA), a community-based regeneration organisation, has charitable objectives that aim to address the high levels of unemployment in the area by delivering needs-driven training programmes, and starting up local social enterprises such as computer recycling centres and hair and beauty training. Every initiative is driven by proactive requests from the community and very much has the community at heart.

NSA obtained a social loan from Pure Leapfrog to install 12 solar panels on local homes, giving residents significantly cheaper energy bills and, at the same time, allowing NSA to use any surplus (around £60-80,000 per year) as critical match funding for grants that enable them to continue to do great work within their local community. NSA described many benefits of social investment, most importantly that Pure Leapfrog had a better understanding of what they were trying to achieve and the challenges they face as a social enterprise than traditional finance providers.

Realising the potential of a community hub

Charity Bank

The Phoenix Community Centre in Pembrokeshire hosts a number of local sports clubs, cultural groups, disability support groups, youth services, senior citizen groups and educational agencies.

The local community raised £1.3 million through fundraising and grants, but needed additional finance to complete the construction of its new community centre. A loan from Charity Bank was agreed. Shortly before the projected completion date the builder went into administration. This led to an unforeseen increase in costs. Charity Bank was approached again with a view to increasing the value of its loan. The loan and additional increase from Charity Bank allowed Phoenix to complete the final payment for the construction and fitting of a sports and community centre. The centre is now a social hub for the whole community.

APPENDIX: SCREENING FOR IMPACT

It is very difficult to measure which communities are most in need and where deployment of social investment should be prioritised. The Index of Multiple Deprivation (IMD)[18] gives an idea of how a community is doing against certain criteria[19] however there can be pockets of deprivation in affluent areas and vice versa. In order to deploy capital to maximise social return, social investors should use a range of indicators to assess the need in communities, with the IMD being just one input to a broader methodology.

As an example, Matthew Bowcock and Steve Wyler of Local Means developed just such a methodology using the following criteria:

Criteria

Socio-economic impact	1. Is this an area of multiple deprivation? 2. Are there direct social needs which the project will address clearly identified and evidenced? 3. What proportion of users will have the identified social need? 4. How significant is the identified social need on the quality of life of members of the community? 5. Will the project be able to have a direct positive impact on the identified social need? 6. Are the identified social needs already being addressed by other organisations and how successfully?
Community-level impact	1. Is this an area of multiple deprivation? 2. How much will the project enhance social capital? 3. How much will the project make a positive contribution towards the local environment? 4. How much will the project make a positive contribution towards the local economy? 5. How much will the project involve local people (including beneficiaries) in realising its aims?
Financial viability	1. Are cost projections for development/capital realistic? 2. Is other finance for development/capital likely to be secured? 3. Are revenue income projections realistic? 4. Is the likely level of revenue income sufficient to more than cover the full running costs, including overheads, depreciation and interest payments? 5. Have the financial risks been assessed and is there a clear plan to manage risks? 6. Is there a fall-back plan enabling the project to continue and achieve some of its social goals if the project does not achieve its financial goals?
Organisational capability	1. Does the Board have the necessary commitment and skills to deliver the project? 2. Do the management and leadership team have the necessary commitment and skills to deliver the project? 3. Does the organisation have access to the specialist skills needed to deliver the project? 4. Is the organisation well networked and respected? 5. Is the organisation overall financially viable?

[18] https://www.gov.uk/government/collections/english-indices-of-deprivation
[19] Criteria are: Income Deprivation, Employment Deprivation, Health Deprivation and Disability, Education Skills and Training Deprivation, Barriers to Housing and Services, Crime, Living Environment Deprivation

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The information and opinions in this report were prepared by Candice Motran, Investment Director, and Anna Shiel, Senior Investment Director, on behalf of Big Society Capital.

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