

Communities and social investment

Niamh Goggin (www.small-change-ltd.org.uk)

Understanding the potential for and the role of social investment in communities comes from the ‘end of funding’ problem. What do you do when the funding is spent? How does good work carry on? By investing, rather than granting, communities aim to develop long-term income sources and relationships as well as delivering social, economic and/or environmental returns. Social investments tend to be part of a wider agreement that may involve grant funding, volunteering, commissioning and collaboration.



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How does social investment work in communities?

The main opportunities for social investment are in responsible finance organisations, property projects and social enterprises.

As part of the Big Local programme, Small Change, (working with a team of advisors) is retained by Local Trust to provide social investment advice, support and due diligence services to the 150 Big Local areas across England. Residents in each Big Local area have up to 15 years to use £1m and a range of support to address local priorities that they identify. Small Change’s work includes matching areas to credit unions or responsible finance organisations that work in their areas, helping residents to understand the opportunities and challenges in collaborating with these organisations, advising on negotiations, carrying out a bespoke due diligence check on credit unions or responsible finance organisations and developing a light-touch reporting system. For property projects, most input is required on governance issues as communities work out the roles and responsibilities of funding, project implementation and commissioning developments such as social housing, community hubs, work-space and sports facilities.

Case study

North West Ipswich Big Local area made our first social investment in East of England Credit Union (Eastern Savings and Loans - ESL) in May 2015. The community

identified that the area had a particular problem with the operation of illegal loan sharks. They developed a relationship with the credit union and agreed to collaborate. Their investment agreement included a social investment, a grant, targets for the credit union and activities, and support from community organisations and residents.

The credit union received a subordinated loan of £20,000 and a grant of £5,000. In return, they agreed to:

- Provide informal advice on budgeting and ‘jamjar’ budgeting accounts to 100 residents
- Help 250 residents to open new savings accounts
- Help 250 children to open savings accounts, provided volunteers came forward to support Junior Savers Schemes in schools
- Provide 50 loans per year over 2 years, delivering a reduction in interest paid of £30,000 per year
- Run six workshops to train volunteer credit union champions to raise general awareness of the credit union
- Run a workshop to inform community group treasurers and management committees of the option to deposit their funds in a credit union
- Produce promotional materials for use in the North West Ipswich area.

The Big Local partnership agreed to provide the funding above and also to:

- Work with churches, community associations and schools to raise awareness and encourage involvement (particularly in schools' Junior Savers Schemes)
- Recruit volunteers to attend awareness raising sessions and/or train as credit union champions
- Run awareness raising campaigns and advise the credit union of events and activities in the area at which credit union services could be promoted
- Encourage local organisations, including Christmas savings clubs, to deposit with the credit union and to promote the workshops for community groups
- Promote the credit union to social housing providers.



Ron Impy, who chairs North West Ipswich Big Local (NWIBLT), says that so far the collaboration is working very well. 'ESL are represented on one of our sub groups and have produced postcards promoting ESL that also mention us. Members of the Big Local partnership have personally delivered these to every house in the area.'

Although final figures are not yet available, ESL has reported that they have noted a distinct increase in enquiries. The next step is for ESL to write to all its members in the area, to encourage people to become trained 'credit union champions'.

What are the challenges?

This is a long, slow process to communicate the social investment approach to communities; helping them to understand the potential of the approach and supporting them to decide on social investments that would produce both a financial and a social, economic and/or environmental impact.

The second social investment challenge is to find opportunities which benefit primarily local residents, with organisations that have a realistic prospect of maintaining the capital and producing a financial return. Small, local social sector organisations are used to grant-funding and are not familiar with the concepts of investment, due diligence or investment readiness.

What are the opportunities?

Switching from a deficit-based to an asset-based funding model is a recognition that most residents are

proud of where they live and want to build on local strengths. They are also best-placed to identify assets and how they can be used most effectively.

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As public spending shrinks and the public sector retreats from some areas of service provision, residents can collaborate with local authorities to develop and manage community assets, if they are adequately resourced and supported. Big Local areas are working on projects involving community hubs, pubs, shops, cafes, parks, playgrounds, sports facilities, allotments, training and employment and social housing.

What have we learned?

It is possible to change mindsets from ‘receive and spend grants’ to ‘receive and invest’, but it takes time, which one and three-year projects don’t have. *Big Local* has given residents 15 years to develop, implement and evolve their strategies.

These are not commercial or quasi-commercial investments, on a par with professionally managed funds. They are programme-related investments where residents aim to invest in an income-generating asset, to generate social impact and to strengthen the organisations in which they invest and therefore the wider community infrastructure.

We share the difficulties encountered across the social investment sector, in finding investible opportunities. Funding reductions in the third sector and changes in funding for renewable energy projects are shrinking an already limited market.

Finally, the financial returns are small and risky, but building long-term relationships between residents and the organisations that serve them can deliver real social and economic returns.

Niamh Goggin is Director of Small Change Ltd, which currently provides social investment advice and support to communities involved in Big Local. Big Local is a £200m programme managed by Local Trust and endowed by Big Lottery that enables residents in 150 deprived areas in England to make their communities better places to live. She works with the Institute for Voluntary Action Research on a research commission from IVAR, the Access Foundation and Barrow Cadbury Trust on the experience of small, and medium-sized charities in seeking and using social investment. She has more than 20 years’ experience of social finance and social investment in the UK, EU and Latin America.

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‘Year 11 thinking’ – *planning for impact beyond the end of Big Local funding* – is now a central part of community strategies in the 150 areas we work in. 52% of areas are working on financial inclusion through partnerships with credit unions and other responsible finance organisations. 49% are engaged in local enterprise support; 46% are developing community land and building projects and 42% are considering other social investment opportunities. It seems likely that an initial focus on building very local economic activity through social investment will develop into a broader focus on engaging and connecting with the wider economy.