The landscape of charitable funding has seen a seismic shift over the last ten years, and traditional methods must develop if the vital work of the charity sector is to continue. Government spending on the sector has been severely reduced, whilst charities are being put under more pressure than ever to fill the gaps left by government cuts. The fast-growing world of social investment may well provide part of the solution to this pressing reality.

One strand of this which has seen an unprecedented increase in recent years is social investment through community foundations, which address local need through the funding of various regional charitable organisations. In 2013/14 around £150m was raised and/or channelled into communities – a record that includes around £80m into community endowment taking the stock to over £450m.

By investing through a community foundation, the investor/philanthropist is able to leverage their funding. Financial leverage comes from the fact that the invested ‘pot’ grows and their money can be distributed gradually across a host of different charitable causes (boosted at present in England by a government 50% incentive). Social leverage comes from the fact that each donor’s fund builds the capacity of the community foundation as a platform for all kinds of giving and social investment.

One recent social investment triumph which makes full use of the platform provided by a community foundation is the Kent Big Society Fund. Run by Kent Community Foundation, this Kent County Council fund provides loans to assist local charities and social enterprises, looking to start or increase their trading...
income from either selling a product or tendering for a service. Since it started in 2011 the fund has seen an increasing interest from prospective applicants and has offered support totalling £1.5m to 26 local organisations.

One of the first beneficiaries of the fund was the start up social enterprise, Turner Cars, based in Margate. Competing for contracts from the Council, Turner Cars provides transport from home to school for children with special educational needs. The fund provided initial capital for the purchase of two wheelchair adapted vehicles, since then, the enterprise has expanded to operating the largest wheelchair adapted service in Thanet.

Fund Manager Andrew Garrett said, “We know that the traditional sources of income such as grants and donations are being squeezed for organisations. The Kent Big Society Fund shows that social investment at a local level can provide a massive boost in helping them to maximise the potential for income generation and continued service provision or expansion.”

Initiatives such as the Yorkshire Venture Philanthropy (YVP) scheme (created by the Leeds Community Foundation and delivered in partnership with the community foundations of Calderdale and South Yorkshire to stimulate the growth of local social enterprise) also allow social investors access to third sector organisations that wish to develop a culture of entrepreneurship. The scheme provides a combined grant/loan package with Key Fund offering repayable social investment while community foundations provide both local expertise and match grants. This reduces the risk for charities and start-up social enterprises and gives them the opportunity to test their social business models, while mitigating the risk of failing to repay 100% of the total funds.
given. The Yorkshire Venture Philanthropy Scheme boasts a number of success stories, including the South Leeds Alternative Trading Enterprise (SLATE), a social enterprise providing work and volunteering opportunities for people with learning difficulties in the inner Leeds area. The organisation’s retail outlet, ‘The Feel Good Furniture Shop’, provides a place for the company to sell unwanted furniture at affordable prices, mainly to people from the most disadvantaged areas of the city, while stopping furniture being dumped or going to landfill.

Since the beginning of YVP two years ago, it has invested £400,000 in grants, supported 60 social enterprises, recruited 20 individual mentors, provided practical support to 25 companies, created 35 new jobs, safeguarded 25 additional jobs, and created 9 new businesses. Such is the success of YVP, Leeds Community Foundation have just launched a new investment prospectus charting the progress of the programme and focussing on the impact of five of the supported groups.

In both locations, local donors are also looking more closely at social investment. Garrett said, “Being able to ‘use’ their money more than once as loans are repaid is a major benefit, as is the fact that an applicant has to really consider the long term sustainability of the organisation and its services.”

Community-led charities often have real benefits for investors, as a relatively small amount of money (as a grant or loan) goes a long way, being leveraged by the time of committed volunteers and vast amounts of local knowledge. However, small, community-led charities are often prohibitively expensive and difficult for social investors to access. Community foundations, through their expertise and local presence, help investors find and fund social enterprises and community groups, making the process easier and more effective.

The success of these schemes highlights the exciting opportunities offered by social investment, both for investors and for charities needing to adapt to survive in these austerity-laden times. With numbers of charities continuing to rise, and public sector funding continuing to fall, our sector needs to consider how to attract more investment for social good. Evermore savvy donors are looking for different ways to have as much impact as possible with their funding. Community Foundations rapid and accelerating growth suggests that much of what we do will be towards the traditional end of the spectrum, but increasingly we expect our infrastructure to be used by philanthropists wanting access to the techniques of social finance at a local level.