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# THE POTENTIAL FOR SOCIAL INVESTMENT TO FINANCE THE ENVIRONMENTAL NGO SECTOR IN NORTHERN IRELAND

Case Studies

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# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: Drumlin Wind Energy Co-operative

**Project overview:** Drumlin owns and operates six 250kW turbines after accessing funds through two successful share offers and other loans from social investor UCIT.

**Organisation size:** 1 FTE from partners/contractors. An annual turnover of £600,000 in 2014/2015.

**Type of organisation:** Industrial and Provident Society, run by a Board of Directors. Drumlin Wind Energy Co-operative is managed in partnership by EnergyForAll and NRG Solutions

### Sources of finance:

In 2012 the first four turbines raised £2.7m through shares, plus a £340,000 UCIT loan. In 2014, another two turbines raised £1.2m through shares, plus a £275,000 UCIT loan. (Projected return on shares: 7.2% over 20 years life, excluding tax relief of an additional 3%)

### Lessons and advice

- There are upfront costs involved in planning a community share offer. Key tasks include advertising the share offer, administration costs in managing the offer, and maintaining contact with 1,000 individuals.
- Learning from existing eNGO experience is crucial. People are starting to become more familiar with the social investment successes in the past.



*'It was difficult to access traditional finance with banks. However, we were interested in ethical finance and spreading the ownership and sharing the impact amongst the community.'*<sup>1</sup>

[1] Interview with Andrew McMurray, Trustee/Director, Drumlin Wind Energy Co-operative Limited

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: Ligoniel community enterprises

**Project overview:** In the 1990s, a community in North East Belfast saw their area declining due to a lack of inward investment. In response they set up Ligoniel Community Enterprises to rent out and use to support small local businesses. Upon receiving a loan they managed to develop Wolfhill Centre—a building containing office and retail space, as well as provision for incubating other small businesses.

**Organisation size:** 3 FTE staff, £100k turnover at time of investment (1999)

**Type of organisation:** Company limited by guarantee.

**Sources of finance:** £120,000 loan from UCIT, repaid with income made from renting out space. Received a series of smaller grants from private individuals and local statutory bodies.

### Lessons and advice

- Think about the financing of your organisation beyond completing a new development. Some organisations fail to think beyond developing a new facility and then realise they are not able to fulfil their plans due to a failure to account for the costs of furnishing the building or continuing to maintain it.
- Employing a business manager to continue to manage the process can also be important in ensuring the project has lasting impact.



*'Essentially your business plan is key. Make sure that you have the right people on your board to drive this forward. These people need to have financial understanding as well as business acumen.'*<sup>1</sup>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

Example: River Valley Community Association

**Project overview:** RVCA leases and manages heritage properties offered as holiday accommodation. They also deliver a range of other projects in the community including environmental conservation.

**Organisation size:** Nine voluntary trustees and five members of staff, with a c. £60k turnover in 2013/2014

**Type of organisation:** Charitable Company Limited by Guarantee

**Sources of finance:** RVCA has accessed a range of social finance ranging from community shares and UCIT loans. These have been secured on assets such as property leases. Income from the property is used to repay social investors

## Lessons and advice

- Financial skills and expertise within the organisation is important: Greater awareness of social investment options can mean that organisations are able to diversify their income streams.
- Where organisations show financial skills, they are able to explain plans with more credibility. This is particularly important where high-risk investments are made.



*‘By creating a small local economy focused on the local, unique, natural and built heritage, we were also increasing the availability of sustainable local employment.’<sup>1</sup>*

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: Hearth Housing Association

**Project overview:** Hearth Housing Association restores historic properties in Northern Ireland which are derelict or under threat of demolition and then rents the buildings as social housing. The returns received via rent repay the loans used to purchase or restore buildings.

**Organisation size:** 2.5 FTE from partners/contractors, Annual Turnover: £400,000

### Type of organisation

A company limited by guarantee but with charitable registration.

**Sources of finance:** Hearth has been running for 40 years and uses a range of finance to support its activities.

Typically this comprises 60% grant finance and 40% unsecured loans from high street banks.

### Lessons and advice

- **Banks can be very helpful in providing finance to social organisations:** Organisations do not always consider approaching banks as they are perceived to have much higher interest rates.
- **Importance of experience:** With increased experience it becomes much easier for organisations to manage the challenges of alternative finance.



*‘Restoration of historic buildings provides houses, offices, tourism and employment, and creates economic activity far beyond its initial investment.’<sup>1</sup>*

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



Example: Buglife

**Project overview:** Buglife, an insect conservation charity, raised £10k through crowdfunding to cover the costs of surveying the sites of one of the world's rarest spiders—the horrid ground weaver.

**Organisation size:** 24 FTE staff, £1.2m turnover in 2014

**Type of organisation:** Charity and company limited by guarantee

## Sources of finance

- Used crowdfunder.co.uk to host the campaign and spread their message through social media.
- Rewards were exchanged for specific sums of money eg, one year Buglife membership, invitations to surveying sites, and twitter thanks.

## Lessons and advice

- It is essential to kick off with impetus so people believe your appeal is going somewhere—ideally 10% within the first 48 hours. They lined up a £500 donation to get the campaign going.
- A lot of time is consumed by social media promotion and in future, they will make better use of planning tools such as tweetdeck.

*'It is important to have an urgent and time bound need, think hard about rewards—the twitter thanks were a mistake as the volume of responses was so great that it filled our feed.'*<sup>1</sup>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: The Woodland Trust

**Project overview:** The Woodland Trust has plans to acquire a new site where they can pilot various methods of payment for ecosystem services<sup>1</sup>. The Woodland Trust has recently purchased a site on which to pilot these services, which required raising an additional £3m, a sum they have managed to raise by drawing on a range of sources.

**Organisation size:** 300 employees and 2000 volunteers, £38m turnover in 2015

**Type of organisation:** Company limited by guarantee with charitable status. They also have trading arm.

**Sources of finance:** Have been awarded £25k from Defra to conduct a feasibility study. Options include using woodland/ peatland as a resource (natural capital/carbon schemes), as well as hydroelectric power.

### Lessons and advice

- It is important that payments for ecosystems services are based on careful analysis of the assets in the landscape. Without this, it is impossible to know the social and ecosystem returns that can be generated from an area of land.
- PES requires significant support and investment on the outset to ensure that enterprises established on site succeed.



*'There's a lot of talk about PES, and studies and papers. But doing things on site, trying to work out the market value of these products...you have to take one step at a time.'*

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