CHARITY BANK

The Social Investment Hub

The model to incentivise change in social investment in Northern Ireland

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June 2014

Acknowledgements

We would like to acknowledge and express our thanks to those who provided input on behalf of:

The Building Change Trust, The Big Lottery Fund, Big Society Capital, Social Enterprise NI, Development Trusts NI, NICVA/Collaboration NI, Department for Social Development, Department of Agriculture and Rural Development, Invest NI, Ulster Community Investment Trust, along with all those who supported and attended the consultation events.

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This report, the survey and research pieces upon which it draws were commissioned by Building Change Trust. All survey data and interview notes were kept confidential by The Charity Bank Ltd and only provided on an aggregated basis to the commissioner. Any views expressed and conclusions draw in the report are those of the authors.

1. INTRODUCTION

The last few years has seen the emergence of a growing number of funds that have been set up to supply social impact related investment to social sector organisations (SSOs). This has been driven partly by political encouragement, but also by private sector recognition of the need for public service delivery to be approached in entirely new ways – ways which will require significant investment in more socially driven ventures that can harness the capacity from SSOs. But where will the money be invested, and in what ways? And is the current supply of capital in the Northern Ireland market appropriate?

The supply of "investment-ready" deals is the biggest challenge facing the market at the moment. It is important that any services provided to assist SSOs be based on supporting a holistic journey towards investment readiness – rather than simply seeking to address the quality of business plans or fix financial structuring required to satisfy investment criteria in a grant based environment. Stimulating awareness of the potential that external investment can offer is key to this, as are changing management outlooks and behaviours, establishing appropriate business practices and achieving accredited operating standards.

Investment Readiness in the UK - A definition, as defined in the report 'Investment Readiness in the UK' – July 2012,[1] to develop a common understanding of investment readiness:

• Regardless of the motivation of the investor – be they social, community or conventional financial institutions or otherwise

• In the context of repayable finance
• With regard to the existence of actual investors in the market – not an abstract theoretical model of investment readiness which serves no practical purpose. An investee is seen as possessing the attributes, 'which makes them an investible proposition by an appropriate investor for the finance they are seeking. Investment awareness is a vital part of the picture and many of the skills that are required to reach investment readiness are also crucial to being business ready – whether or not investment is finally sought.'

[1] Investment Readiness in the UK, Dan Gregory, Katie Hill, Iona Joy, Sarah Keen, July 2012. Clearly So, New Philanthropy Capital (commissioned by Big Lottery Fund)

Building Change Trust (BCT) has played an important role in Northern Ireland in the promotion and delivery of sustainable financing. In 2012, BCT funded a report led by The Charity Bank Limited (CBL) and UCIT and prepared by Ecory's Consulting[2] that made several recommendations including:-

1) Building Financial and Commercial Capability in the Third Sector

Provide introductory financial management, commercialisation and investment readiness training and support for smaller scale TSOs. Develop a 'social finance pathway' to segment development stages and products within an integrated approach.

2) Deliver a Sustainable Sector with Strong Financial and Social Balance Sheets

Develop hybrid products which include an element of transitional grant funding and incorporate service delivery models as well as quasi-equity approaches for both entry level and mature TSOs. This could also include a mix of investment readiness approaches whereby the process of matching organisations to opportunity could operate like a diagnostic filter. Ideally instigated and operated by the TSO itself (therefore demand led), but accompanied by information and access to the necessary expertise and support.

3) Support Innovation and Growth by Sharing and Learning

Improvement to the information base for the financial profile of TSOs in Northern Ireland, including an element of needs assessment. It would also provide a dedicated social finance platform for stakeholders to come together and deliver capacity building at a community level. Northern Ireland is in a unique situation, having access to philanthropic capital in a way that GB regions do not and a relatively under-developed social finance sector. There is an opportunity to stimulate a demand-led approach through raising awareness and a more strategic and holistic approach to investment readiness and support.

Following this, in July 2012 BCT requested a joint submission from CBL & UCIT for a proposal to obtain a development grant to review and design an investment readiness and new product development programme for Northern Ireland. Final submission was made in February 2013 but submission was made solely by CBL. UCIT was unable to participate due to changes in personnel. Work on the project commenced in Autumn 2013.

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[2] Social Finance in Northern Ireland, Innovative Thinking and Action, Ecorys, The Charity Bank Ltd, UCIT. May 2012

2. EXECUTIVE SUMMARY

The evidence from Investment Readiness Programmes (IRP) developed and run across Europe, has provided a wealth of models and practice. Our research has focused on successful existing and emerging models to understand the approaches that support growth and financial sustainability for SSO's. We have focused on identifying the IRP models and approaches, taken by public & private funders. We considered how the models operate and the relative levels of success and what we can transfer and adapt to develop an investment readiness programme in Northern Ireland.

The research together with a series of consultation events, with SSO's and major stakeholders in social finance, provided a set of clear and consistent messages. The majority of these messages were concurrent in their approach and thinking with a need to link and match the needs of the SSO's, policy makers, funders and investors with a common point of access for information and support.

The ideas emerging from the research, the consultation events, the online survey and interviews with organisations involved in Investment Readiness has shaped our design for a NI specific programme. The focus of the design is to create a driver for change, structured to develop the social finance market and equip SSO's through information, opportunities for learning, access to public procurement processes and access to finance. The model we are recommending is a Social Investment Hub (The Hub), as we believe this is the model that can drive and deliver a more enterprising culture across the SSO's.

The Hub, will be a "hub and spoke" model; where the hub will have a central co-ordinating function including hosting a portal to all services and access to the services spokes. The report identifies the activities, services and products that together will form a comprehensive offer to SSO's, social investment financial intermediaries (SIFIs) and other stakeholders.

It is not the intention of the programme to duplicate any existing work by other partners and therefore where possible, the report highlights work which complements this programme and the roles these organisations can play in the delivery of service as the hub develops. We also appreciate that not all of the recommendations in this report could be executed immediately due to funding requirements and where appropriate we have indicated different phases of delivery that may be suitable.

3. THE OVERALL STRUCTURE

Developing the Social Investment Market - Summary of Change

The Northern Ireland consultation process has revealed key themes, in relation to the social investment market, consistent with those emerging in the UK, Europe and further afield:

- a plentiful supply of capital is available from social investors, particularly in the secured loan market
- a growing demand, from front line organisations, for capital to meet social need is evident
- supply does not meet demand because the current market infrastructure is not fit for purpose - in part because of a lack of 'investment readiness'

There seems to be a strong consensus that the development of a fit for purpose market place, capable of delivering a range of repayable funding options and support, is necessary and will require intervention. Consultee feedback describes such intervention as including an investment readiness support infrastructure within which key players collaborate, innovate and change to ease the flow of capital from investor to investee.

Social investors, investees, policy makers, commissioners and intermediaries have consistently fed back the belief that greater and more efficient flows of capital to frontline organisations can realistically be achieved with the appropriate support.

Diagram 1 on page 7 summarises the key market participants and notes some of the critical developmental changes which consultees believe will be necessary to 'make the market work' in Northern Ireland.

We have taken the feedback, married it with support infrastructure initiatives in the UK and Europe and added some of our own ideas about the shape of support which would best suit Northern Ireland.

The emphasis is very much on putting support structures and processes in place which will stimulate meaningful enterprise collaboration and innovation on the part of all market participants over time.

3.1 Developing the Social Investment Market

Sector

Strengthen understanding of the changing funding landscape
Strengthen message around 'transition to enterprise' at grass roots level
Build enterprise and investment support infrastructure

Investees

Business model change

Accelerate move towards new business models delivering:
Resilient, sustainable enterprises generating consistent surplus
Opportunities to access multiple funding streams including SI

Changing Culture & Practice

'Enterprise & Investment Readiness' required on the part of **all** key stakeholders/players

Investors

Improved understanding and pricing of risk
Improved understanding of impact metrics
More collaborative working and wider product range

Funders

Incentivise transition to enterprise and 'change'
Develop collaborative working

Social Investment Financial Intermediaries (SIFI's)

- Develop understanding of sector
- New products development
- More collaborative working with funders/investors, commissioners

Commissioners

Improved structuring and negotiating of outcomes based contracts
More collaborative working

Diagram 1

4. THE DESIGN OF A SOCIAL INVESTMENT HUB

4.1 Context

A clear message from participants of the consultations and interviews is that a new programme of support must be easy to navigate. Recognising the need to make social investment and investment support more effective, we are recommending a hub and spoke model as the model with the best fit.

Social investment and investment readiness is only part of the bigger picture for SSOs in Northern Ireland and we believe that it is important to align interventions with strategic movements and concepts. We have identified two critical alignments: social innovation and a generic business support programme. Each plays a major part on its own but by aligning the three dimensions ensures that the impact for SSOs to be greater.

Social innovation is a growing concept in many parts of Europe, including Northern Ireland. Social innovation is one of BCT's six overarching thematic areas and the link between social investment and social innovation is very clear. The creation and implementation of new solutions to social problems, that are more effective or efficient than existing solutions (social innovation) often leads to financial requirements for further development. Repayable finance requires SSOs to repay any investment and in many instances, SSOs need to innovate or find new ways of trading or raising income to make the repayment. It is therefore important to ensure close alignment between these two thematic areas, allowing each to develop independently from each other but ensuring both themes are capable to support each other.

The current business support service, **nibusinessinfo.co.uk,** is the national point of information and support for business growth with a focus on SME's, alongside which, The Hub should be aligned. The advantage of this is the access to generic business services with the added value of the sector specific services to develop the social and community enterprise market.

Together, The Hub, business support services and the development of a social innovation hub will need to develop an understanding of their respective roles their relationship to each other and the value of creating a synergy of generic and bespoke services. To ensure that the programmes maintain a strong relationship with each other, an advisory steering group with representatives from each thematic group could be formed. What must be avoided is duplication.

4.1.1 THE DESIGN OF A SOCIAL INVESTMENT HUB

SYNERGY WITH OTHER PROGRAMMES

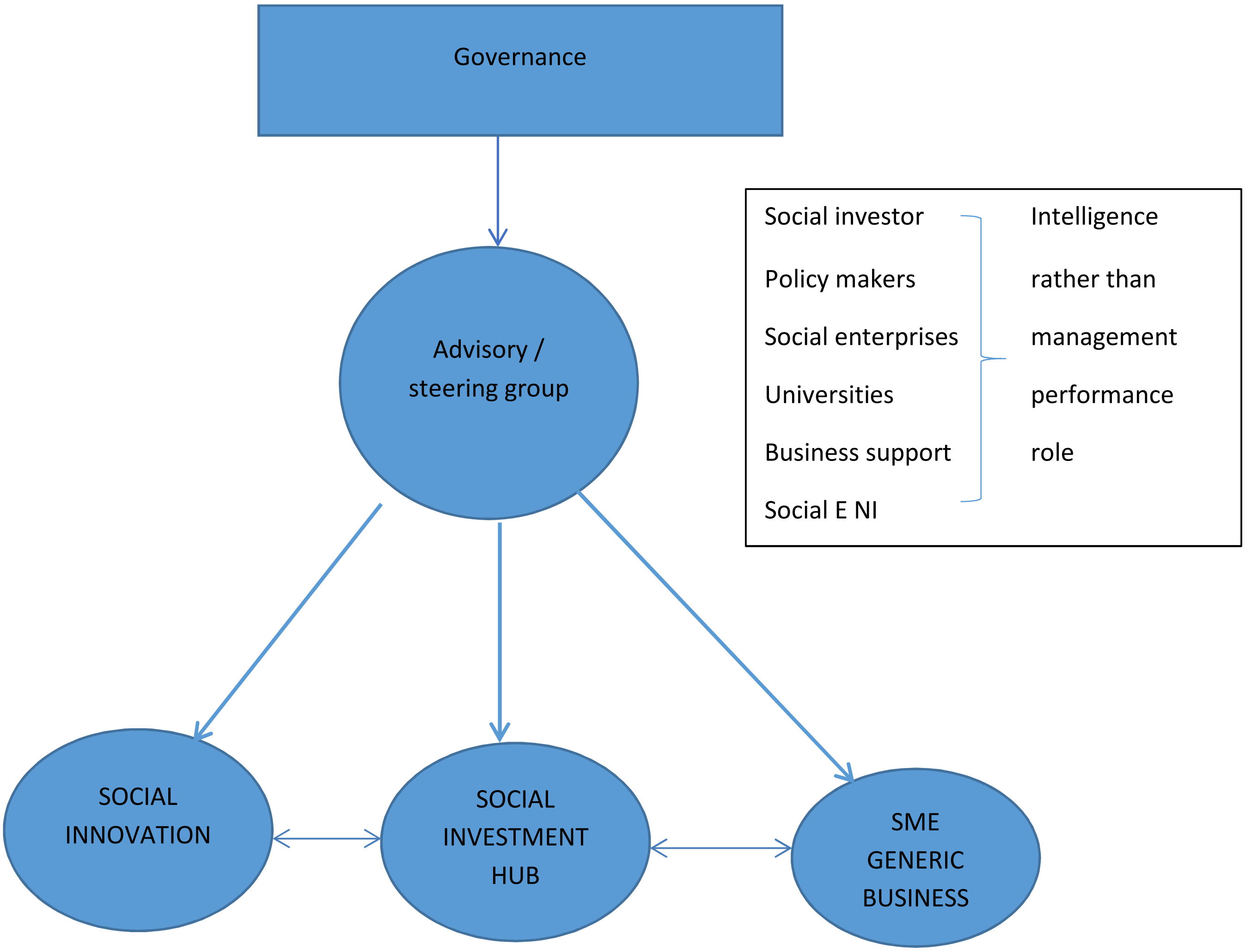


Diagram 2

4.2 Model for Social Investment Hub

Based on our research and results from consultations and interviews, it is clear that what is required is a multi-faceted programme which requires one 'conduit' as the 'glue' for the different components. The absence of a clearly branded, highly visible and 'joined up' structure has not helped address the some of the uncertainty and perceptions of risk in SSOs considering growth and investment. Roundtable discussions during the consultation events saw many SSOs indicating that they are put off by the idea of social investment (debt or other forms of investment) because of the complexities surrounding it. The idea of business support is also lost on many with similar remarks – too difficult to know who to go to and what for. Many SSOs were not even aware of the current support available to them and what options they have for financing apart from grants.

Current business support is available from a range of sources – Central Government Departments (DSD, DETI, DARD etc), local government departments (local Council Economic Development Units), Local Enterprise Agencies, Social Enterprise Northern Ireland and grant makers which are often associated with 'policy 'and 'programmes'.

Whilst this support infrastructure has much merit, there remains, for many, a lack of clarity around the range of options available and what may be the 'best place to go' for support. Grant finding skills in SSOs tend to have been better honed than enterprise and investment finding skills because of our grant rich history. Support by way of grant has been more visible, accessible and attainable than enterprise and investment support. The future journey to a truly open functioning market place will need to include a broader range of support (clearly visible, accessible and attainable) which is not constrained by factors other than the funding available for developmental support and the social and related economic ambitions of SSOs themselves.

The principle of support delivery via a one-stop-shop appeals to many. A best fit would have to be determined to establish where a one-stop-shop should be positioned, to enable it to complement existing support (providing core information and signposting to existing services) whilst innovating and moving the market forward through the development and delivery of new supports and services either directly or by commissioning or other mechanisms.

Consideration could be given whether to locate this within central government, local government, Northern Ireland Council of Voluntary Action (NICVA), Social Enterprise Northern Ireland (SENI), Ulster Community Investment Trust (UCIT) or another organisation. However, many consultees have expressed different views as to where best to locate such service. There was a concern that its location in one particular organisation may dilute its potential and effectiveness. On this basis, our preferred option would be an independent, stand alone operation with input from and governance by a range of stakeholders. Our belief is that 'independence' from specific interests would enable both building on existing support infrastructure and the generation of greater dynamism and more rapid progress along with broader acceptance by the full range of SSOs (embryonic, emerging, established) pursuing enterprise and investment on the ground.

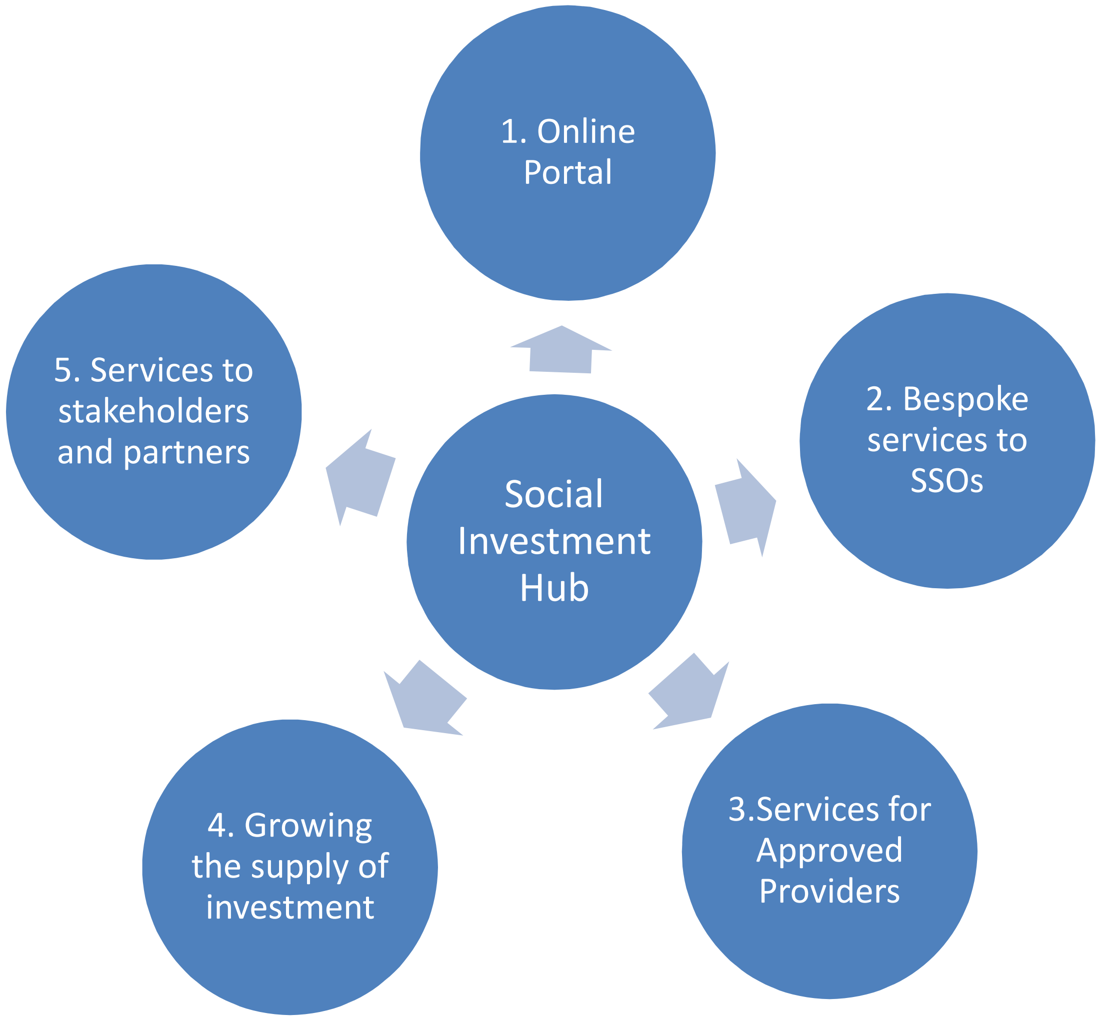
There are a range of key users and beneficiaries of the hub which will include:-

- SSOs
- SIFIs
- Social Investors (the capital investors)
- Grantmakers/Trust Foundations/Philanthropists
- Policymakers and government departments
- Commissioners

It is therefore important for the hub to satisfy all of the identified key stakeholders in order to work effectively. In the current design, we are recommending 5 spokes with various activities but the hub should be flexible to take on more delivery as it grows and develops.

In terms of location, we recommend that in the initial stages the Hub should be a virtual hub with the possibility for setting up a physical hub as concept grows. The next EU Structural Funds may be a good source of capital and revenue investment especially as one of its main themes is social business.

4.3 The Spokes



4.3.1 THE FIRST SPOKE

ONLINE PORTAL

There was a real consensus from all consulted parties that an online portal would be extremely beneficial. The consultation events really proved that SSOs want a simple, one point entry where they can learn more about organisational resilience and connect with other partners and stakeholders. The current set up in NI is perceived to be too patchy with many programmes that are simply not sufficiently joined up. This causes confusion and dissuades SSOs from looking any further.

A similar picture has been reported across the world where the social investment market is being developed. There is a move towards using technology as a base that would serve all in the market. The best example from England is Big Potential, a £10m programme of investment readiness which is currently in the process of finalising an online portal in an attempt to simplify the picture for SSOs in England. The Big Potential portal is due to launch on 1st July 2014. There is a real opportunity to explore utilising the Big Potential platform to reduce the costs of developing totally new contents for a NI portal.

A NI specific portal should be developed to take into account its specific needs. The Big Potential structure should be utilised and some of the content of the Big Potential portal would be applicable in NI. For NI, the Portal will provide the open point of access into The Hub and the portal itself should be managed by the hub as part of its critical role as the point of access to the overall programme of change. The outcome of the portal should be that it becomes the 'go to' place for investment and support in the sector for all involved parties.

It is imperative that the portal remains flexible with the ability to adapt and change as required by users. Language for contents should be kept very simple and relevant. A diagnostic tool for organisational resilience should feature highly for SSOs under the portal and it would help SSOs to begin/continue their journey.

INTERVENTIONS

Development of an online social investment portal in the first phase specifically for Northern Ireland with the following sections:-

1. Organisational resilience service

a. Development of a diagnostic tool within the main portal with automated reporting system with Skype / Adobe or electronic linkup for conversations / advice and on line consultation facilities

b. Research and development (R&D) vouchers

c. Other bespoke services and support

2. Educational & training

a. webinars, case studies and information library

b. funding/financing interactive encyclopaedia

c. guide to social investment

d. generic info/factsheets, links, core information regarding other relevant support programmes relevant to SSOs

3. Growth & ambitions

a. online ideas board and blog for collaboration and partnership

b. development of interest groups, discussion sites and national & European based networks

c. links with social innovation agenda

4.3.1.1 ONLINE ORGANISATIONAL RESILIENCE SERVICE

a. Diagnostic Tool

The main feature of this service is a diagnostic tool with an automated reporting system and this should be the key feature on the portal for SSOs. It is important for SSOs to understand their strengths and weaknesses early in order for the right interventions to be introduced to support them. SSOs should be encouraged to start with the diagnostic tool as their entry point to the programme.

The value of a diagnostic tool for SSOs is that it is an exercise to improve an organisation's understanding of their relative strengths and areas for development. This is true especially in the scaling up of their operations or looking at the organisation's capacity to access and manage repayable finance.

The tool aims to help organisations think about what they will need to build and develop their strategic, management and finance capacity to attract investment. It is designed to be used by any type of SSO. Large or small, new or established any organisation can benefit from this tool. The tool helps organisations to review their strengths and areas for improvement, as likely to be seen through the eyes of a potential investor. The tool is written from the perspective of a social investor, and it acts as an educational tool in that the process of completing the assessment should help to strengthen the understanding of 'investment readiness ' across the senior management team and trustees.

See link to the diagnostic tool www.sibgroup.org.uk/bigpotential/diagnostic

The diagnostic tool for Big Potential is due to go online with its own platform on 1st July 2014. The tool could easily be adapted for the Northern Ireland context and sit alongside the Inspiring Impact Measuring Up tool which would mean data can be aggregated across all those completing the exercise. By putting the tools in the same place, it would also encourage SSOs to utilise both tools and make it easier to use.

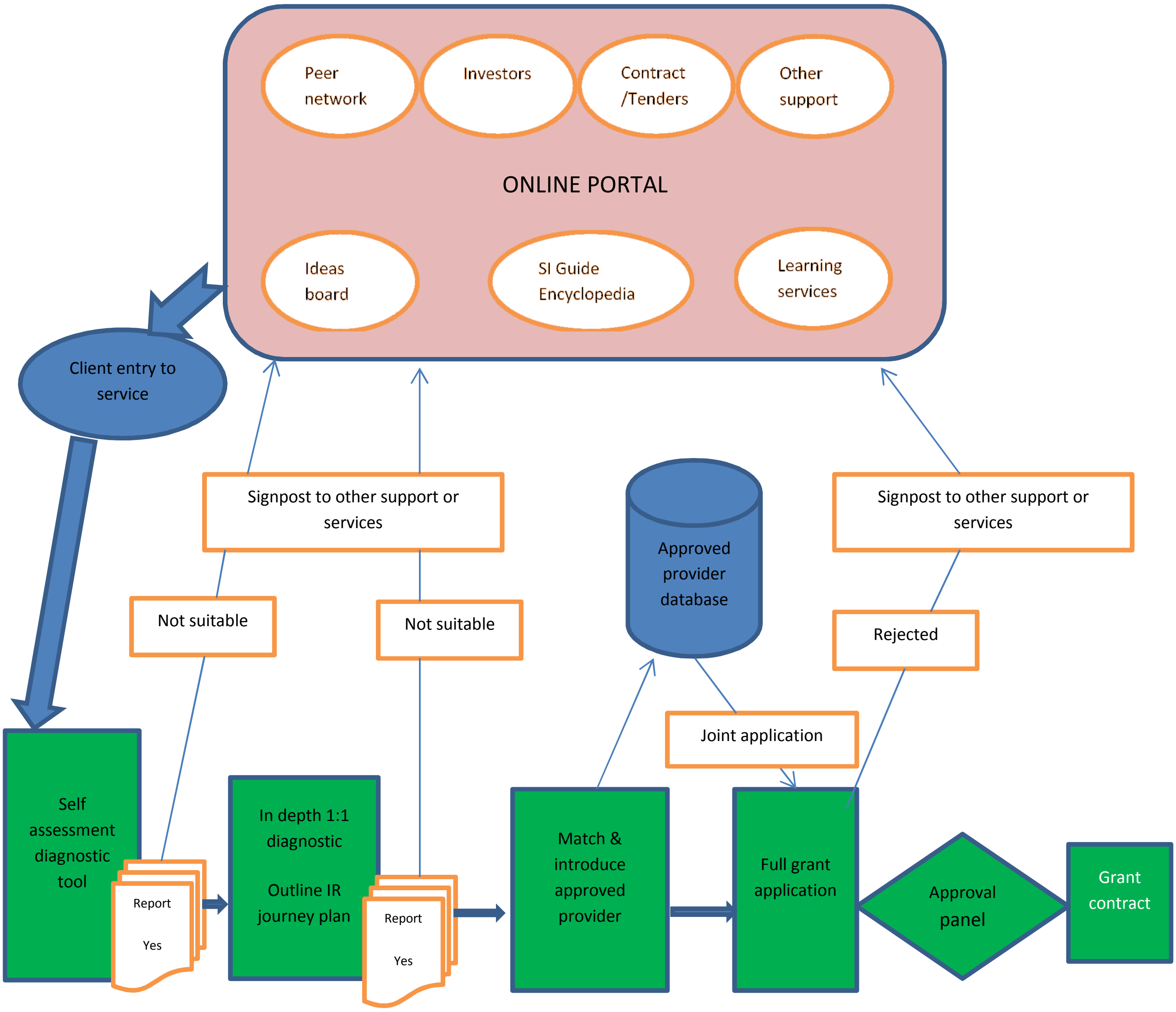
b. R&D Vouchers

One the fundamental weaknesses of the social sector is lack of investment in research and development (R&D) in comparison to the private sector. Yet, R&D could make a difference relatively quickly. It can easily contribute to growth and has the potential to set an organisation above its competitors. Most SSOs do not have the finances to fund a R&D project, but a little help could go a long way. Using experience from the Scottish Enterprise, a similar but smaller concept could be introduced in Northern Ireland. The vouchers should be available to support SSOs who are developing new products, processes and services to improve competitiveness and to benefit the Northern Ireland economy. The Invest NI Innovation Voucher scheme provides a model which may offer significant potential for further development within the sector.

c.Other bespoke services

As with Big Potential, the results from the diagnostic tool should be the entry point to further support specifically for those who have the ability and ambition to grow. The support offered would be bespoke in accordance with the results from their diagnostic report. SSOs should work with a set of approved suppliers to come up with the best action plans and these plans would be considered by an independent investment panel before any grant investment is made. It should be made clear that any pre-grant support work is to be borne by the provider and where appropriate with contribution by SSOs.

TYPICAL CUSTOMER PATHWAY



Priority and phasing

The diagnostic tool should be developed in Phase I as it is an integral element of the portal and would be open to all to use.

Incentivising change will play a critical role in developing a more enterprising culture in the sector. For many organisations the first steps towards enterprise will represent significant fundamental change. This 'tipping point' in the journey will require encouragement and support. To this end R&D vouchers for early stage bespoke support could also be used as an initial incentive/reward for embryonic/emerging organisations which complete the diagnostic assessment – creating a something to gain and nothing to lose scenario.

The journey to bespoke services and R&D Vouchers should ideally be introduced at the same time but appreciating the large funding requirement it could be tailored to come in at Phase II.

HUB Diagnostics

Enterprise and Investment Readiness Stage	Core Issues	Support Needs	Support - Delivery Methods	
			Generic	Specialist
Embryonic (DETI/DSD/PWC definition 2013 - Trading = 15 – 25% income)	Board/Committee decision making – enterprise. • Should we? • Shouldn't we? • Could we?	Horizon scanning. Networking. Basic business planning and decision making. First steps.	Online info base Including best practice examples and strategic planning guide Online tools Signposting	Grant and/or mixed grant / loan product. Grant aid for feasibility/pre feasibility comes in.
Emerging (PWC definition - Trading = 25 – 50% income)	Organisational Development Needs? What we have? What we need? Can we fill the gaps?	Board skills audit? Operational skills audit? Business modelling? Business planning? Financial Management? Financial Planning?	Basic online tools to support initial activity around skills audits, business planning etc Telephone. Signposting + networking.	Face to face diagnosis + tailored follow up focused on business development. Social finance alternatives.
Established (PWC definition – Trading = 50% + income).	Growth. Scaling. Social finance options.	Sustainable business development strategies.		Face to face. Financial instruments. Introductions.

4.3.1.2 EDUCATIONAL & TRAINING

a. Webinars, case studies and information library

The ability to use technology to run an educational programme will be very useful to ensure open access to all SSOs no matter where they are in Northern Ireland. Webinars are a powerful tool for remote training which can be utilised more than once. Case studies often inspire potential investors and investees and relevant video recordings should also be made available. An online educational library is where linkages could be made with external resources that are already available.

b. Funding/financing interactive encyclopaedia

One of the major challenges faced by SSOs is the difficulty in finding out what is available in terms of funding and in what form. It was evident from the consultees that SSOs would benefit from a simple encyclopaedia which brings together all types of funding and finance that is available in Northern Ireland. NICVA has brought together a list of potential funders but it would be very useful for this information to be expanded to include funding and financing availability including details of SIFIs from England who are willing to invest in SSOs in Northern Ireland.

c. Guide to social investment

The biggest problem with the social investment market is 'language'. There is no doubt that language has been a barrier to both social investors and SSOs. In fact, it has been a barrier for many policymakers, funders and commissioners too. Big Lottery England recognises this and has recently commissioned Social Enterprise United Kingdom (SEUK) to produce a jargon-free guide to social investment which should be incorporated in the portal. The guide will be available from mid-summer 2014.

d. Generic info/factsheets, links, signposting to existing programmes by other agencies etc using an online matching service based on needs and requirements

There are already many different support programmes available in Northern Ireland, but they tend to be very specific. Consultees agreed that good signposting is needed in order for SSOs to be able to access the right services. Most SSOs do not have the time to look at each service individually and therefore it would make perfect sense to have a "matching service" which would be very useful to many. A similar service is offered by NICVA through www.granttracker.org and this service could be expanded to include any forms of investment. We also understand that Substance are developing a web based portal for impact measurement tools as part of the Inspiring Impact programme which is due to be launched in summer 2014 and this brings a good opportunity to learn about the structure and contents of the Substance portal which may be able to be adapted to include ‘matching services’ for SSOs.

We believe that all of the above can be introduced in Phase I as part of development of a portal.

4.3.1.3 GROWTH & AMBITIONS

Social investment in Northern Ireland will remain stagnant if growth and ambitions are not encouraged within the sector. In the majority of cases, social investment is repayable and thus SSOs must start thinking about growth to take into account the need for 'surpluses' and 'profits'. Ambition to do this is critical to success. There are many ways to harness enterprising practices. In the early stages, we recommend the following to accelerate this:-

a. Online ideas board and blog for collaboration and partnership

SSOs generally have plenty of ideas but sometimes would like to hear what other people think about their ideas. There may also be opportunities for collaboration. Representation on the board should not be limited to SSOs but should also include other interested parties including policymakers, commissioners and service providers. This is one indicator that participation on the board should not be limited to SSOs

b. Development of interest groups, discussion sites and national & European based networks

There are so many different types of SSOs in NI and their individuality ought to be catered for to encourage growth. Development of specific interest groups (if it does not already exist for some segments), discussions sites to includes UK and European based networks should be promoted on the portal.

c. Links with social innovation agenda

An indication has already been made in relation to the links between social innovation and social finance. The synergy between them is strong, and it is only appropriate to ensure that both strands work together to harness the power of creativity and entrepreneurship for social goals.

We believe that all of the above can be introduced in the Phase I as part of development of a portal.

4.3.2 THE SECOND SPOKE

BESPOKE SERVICES TO SSOs

The online portal would address generic development needs for SSOs but in order to support those with high potential for growth and suitability for investment, bespoke services are required. Learning from elsewhere suggest that such services, whilst costly, have huge benefits and accelerate ability to access social investment for many SSOs.

The rationale behind bespoke services is the need to treat each SSO individually and address individual organisational development needs that cannot be addressed in a more generic manner including specific governance models, marketing and processes.

The most costly form of bespoke services is 1:1 tailored advice and this type of service should be focused on those SSOs with the greatest chance of securing investment. There are other specific bespoke services which are more appropriate to address a wider audience and ideas for these types of interventions are included below.

INTERVENTIONS

1. Peer-to-peer support
2. Access to learning
3. Collaboration training
4. 1:1 support from approved providers

4.3.2.1 PEER-TO-PEER SUPPORT

The role of external support in beginning to change to a more enterprising culture is frequently through 'peers', people and organisations that people trust. These are often people and organisations that have been successful themselves in becoming more enterprising and securing contracts. The concept of mentoring is commonly viewed as one of a subsidiary role where there is a successful professional advising how to change and do business. Through the consultation events it became evident that this model was not popular (understanding of sector and individual organisation was lacking on the part of mentors) and the message was very much one where individuals would be open to taking the step to becoming more enterprising and preparing for different sources of finance through talking to their peers in the sector, those who have demonstrated success rather than talking to disconnected external professionals.

Peer-to-peer support can work across different levels in organisations, as in Chief Executive to Chief Executive, finance manager to finance manager, project manager to project manager, Board member to Board member. It can be an organisational programme, where an enterprising organisation can support the 'business development 'of another.

There are different ways of financing this working arrangement from an upfront fee to incentivise organisations releasing staff, paid by the hour or payment by results, or a combination of all three ways. It is a model enabling the sector to drive and support its own development and substantive change. It is also a route for the funding from The Hub to be re-routed into the sector, directly investing in social enterprises/ SSOs, thereby stimulating the internal market within the sector itself. The unknown at present is that whilst there is a demand for peer-to-peer support, the market has not been tested as to the capacity of organisations that offer the tailored support and this would have to be looked into further.

The issue of Board member development was high on the agenda for change across the consultation events, more specifically the lack of appetite for risk and for change in business models. In relation to the appetite for repayable finance or new financial products, it was the experience or perceived view of the consultees that the brakes on enterprise development were often applied by Board members. For the proposed programme, an important component would be to initiate greater peer-to-peer support between and across Board members, as an early intervention.

Setting up and running the 'peer-to-peer' programme relationships will be a high priority service that the hub could address in conjunction with on line networking and the brokering services. It is not to the exclusion of mentoring from outside of the SSO sector, but a point of learning from organisations that have graduated to using social investment products and are seen as being successful. This was highlighted, in the consultations, as a key support strand to becoming investment ready.

4.3.2.2 ACCESS TO TRAINING

Training is important to the development of a sustainable SSO (both accredited and non-accredited). A structured training programme has the ability to give an organisation the required skills and tools to change its behaviour and become more enterprising.

However, many further education (FE) and higher education (HE) organisations are already offering accredited and non-accredited training to SSOs and therefore at present there is sufficient training supply available in NI. There has also been a growth of training by umbrella bodies including that offered by SENI and NICVA. What is lacking is the take-up of the learning programmes by SSOs and it is this that needs to be addressed. An easier access to existing training programmes should be incorporated in the portal. This would benefit not only SSOs but also the learning providers and funders where appropriate.

There should be more flexible models of training which SSOs can access. It is more suitable in some of the current provision for modules to be offered as discrete elements in their own right with the option of gaining accreditation points over a much longer period or not taking accreditation at all depending on participants requirements.

At the point of access through the portal, SSOs should be given the full range of information in order to ensure that they can access the best training available for them in order to support their personal and organisational growth.

4.3.2.3 ACCESS TO COLLABORATION TRAINING

Simple math shows that rising demand for services and reduction in grants and other sources of income cannot be met through business as usual for the majority of SSOs. Not only do SSOs need to change the way they think, in many instances the best solution will be to work together / collaborate.

To do more with less, smart SSOs pursue three main strategies to ensure the future viability of their organisation – productivity, efficiency and elimination of waste. While these are absolutely essential, they are insufficient by themselves. Or put another way: organisations are finding that they can often accomplish more when they collaborate, particularly on a provision of contracts and services. A combination of all these will allow SSOs to ensure the best solution for future delivery of services and also to meet the needs of beneficiaries.

Yet, there remains a reluctance within the sector to collaborate. This was fully acknowledged by consultees; most acknowledged that they know that it makes perfect sense to work together on projects and contracts but their old ways of keeping things to themselves appear to act as a barrier. This way of thinking is holding many organisations back and more incentives from funders and commissioners may be the answer. For example, a commissioner could provide higher score for a tender from a consortium and funders could deduct a percentage from an award where collaboration has not been utilised (on the basis that collaboration is the best solution).

Collaboration NI is already providing practical support and resources across the whole spectrum of collaborative working to SSOs. A clearer link to their work should be made and perhaps they could also take the role to lobby commissioners and funders to change their processes to encourage organisations to collaborate.

4.3.2.4 1:1 SUPPORT FROM APPROVED PROVIDERS

The benefit of 1:1 support from approved providers could be the catalyst for complete transformation of change for the sector. Expert support on a 1:1 basis would allow organisations to deal with a range of development needs and effectively and substantially improve their organisational resilience. SSOs tend to work within their sector networks but have limited interaction with grant makers or other professional organisations which challenge them, in meaningful ways, to become more enterprising or to look at a wider range of finance options. Generic messages around developing enterprise tend not to be followed up with focused support around how exactly to make that journey.

A comprehensive support service must cater for embryonic, emerging and established SSO enterprises. Meaningful, value adding support will only be identified by way of a comprehensive initial 'diagnosis'. The subsequent support journey must be tailored and mapped to the needs of individual organisations. Different organisations will take different paths and travel at different speeds. A flexible support pathway will be essential, providing SSOs with the opportunity to join and leave as their development requires. 'Re-diagnosis' at different times may be appropriate to adapt and manage policy, market, personnel changes.

Support Pathway

1. **Diagnostic tool - online**

SSO self assessment - Governance and leadership, market potential, financial performance, financial control.

↓

2. **Diagnosis**

Initial 'diagnosis' of stage of development – embryonic, emerging, established.
Areas for organisational & enterprise development highlighted.

↓

3. **Support recommendations/provision**

Will vary organisation by organisation.

↓

Generic support	**Signposting**	**Peer mentoring**	**1 to 1 specialist**

The role of The Hub could include an approved list of quality assured providers offering direction and support (around transition to enterprise) to selected professional services suppliers such as accountants, solicitors, marketers etc and linking a selected pool of same with selected organisations. The database should be constructed to flag providers against a set of specialism characteristics which would be searchable by an assessment team to match providers with client support needs. Each provider application should be approved by an independent panel that should also be the same panel who would consider grant applications as described under 4.3.1.1. A good applicant must demonstrate experience in the areas of expertise and be supported by three references. Membership must be continuously reviewed for client selection, panel presentation success rates, client satisfaction and ultimately impact growth supported.

Selected professionals such as accountants, lawyers and other professionals, along with high street banks might represent an effective (promoting change) interface between selected small SSOs and specific tailored advice on enterprise/business development. For example - almost all SSOs have to use accountants to verify their accounts at year end. The interface with an accountant, with the appropriate experience and commitment, might be a source for constructive engagement and challenge around enterprise, looking at longer term financial and enterprise planning in addition to simply completing year end accounts.

Generic seminars on the role of social finance might be a route into the smaller less connected VCS organisations. Meaningful seminar follow up would be supported by the online diagnostic tool, the provision of information resources and signposting to further resources.

4.3.3 THE THIRD SPOKE
SERVICES FOR APPROVED PROVIDERS

Providers of investment readiness advice come in many shapes and sizes. In England we have seen that providers can be a 1-person consultant operating from home or it could be a large multi-national organisation including Price Waterhouse Coopers.

One thing that should be the same for all of them is the quality of advice and the relevance to investment readiness and social investment. Generic capacity building advice does not have a place for those looking for social investment. In general, service providers are expected to have a higher understanding of what investment readiness is and how social investment works. Experience from England under the Investment & Contract Readiness Fund (ICRF) and Big Potential is showing that providers would benefit from support and the quality of provider services can be very patchy.

Consultee feedback suggested that 'generic' support providers had limited value and what was needed was support from providers who understood their sector and their organisation. The skills and experience mix needed to provide such support may not currently be in plentiful supply. Our recommendation would be to start with a small pool of providers covering the key specialisms – governance, financial planning, business planning and development, legal and marketing and develop the pool on the basis of need.

The support to service providers is particularly important if the diagnostic tool in Spoke 1 is to lead to a grant for bespoke support. In such instances, the SSO and support provider should be expected to apply jointly for funding from a grant scheme, with the SSO as the lead organisation. This is to ensure the support provider has provided expertise in developing the application and investment readiness planning prior to applying and that the application includes clear and accurate resource from the support provider. The support provider should not be paid by any funder for pre-grant application support. This cost is borne by the support provider and the SSO.

INTERVENTIONS

1. Provider Quality Certificate

2. Peer-to-peer review

3. Provider Specific Network

4.3.3.1 APPROVED PROVIDER QUALITY CERTIFICATE

Quality and diversity of providers will be paramount to the success of the bespoke services. The effect of poor quality support is not just limited to the provider and SSO, it will also have an impact on the funder(s) and sector generally.

The concept of an approved provider list will allow the hub to take the lead in having a full range of support providers for investment readiness. The core team will need to undertake due diligence on the support providers to ensure their capacity and capabilities before selecting them for the menu. The Hub will then issue a quality certificate which the providers can use as part of their promotion to potential clients. Both the Investment & Contract Readiness Fund and Big Potential Programme have approved providers and their process of due diligence could be adapted to suit the NI market. In both funds, the process is undertaken internally using standard systems including example of work and references.

Another route for consideration is an award system by an external agency such that offered by Small Firms Enterprise Development Initiative (SFEDI). There are movements in England to develop an Investment Readiness specific award which SFEDI is at the forefront of and this could be an opportunity for NI to take this idea forward sooner rather than later. As part of the wider investment readiness programme and to encourage participation, a small part bursary fund could be set up by one of the departments for providers to access the service.

There should also be processes in place to monitor the performance of support providers and if any support providers do not meet the required standard, they should either be given feedback on the areas needing improvement or if not addressed adequately they should be removed from the menu.

4.3.3.2 PEER-TO-PEER REVIEW

As part of the provider service, a peer-to-peer review should be introduced as a support mechanism for provider organisations. The purpose of a peer-to-peer review is to act as a 'critical friend' to providers to improve their services to SSOs and also to identify successes. The reviews should be set up as a 'beneficial' service and not as a measure to control providers.

A peer-to-peer review should be compulsory for the first 2 contracts and ad hoc reviews should then be undertaken at least once a year. In England, Big Potential has introduced Peer-to-peer review for their programme advisors but there is a real opportunity in Northern Ireland to extend this service to providers. A fixed fee scheme should be included in the service provider contract and each peer review should be no more than 3 hours.

4.3.3.2 PROVIDER SPECIFIC NETWORK

Providers should also be given the opportunity to join an approved provider specific network. The purpose of the network is again to increase knowledge on services and to share experiences. The providers themselves should decide the best content for a network and should not be dictated by external sources.

A blog should be set within the network itself to allow for collaboration as in many instances, one provider alone cannot provide all the interventions required by a SSO. It would also be useful to have an online bulletin board for approved providers to advertise their services to each other as means to encourage new collaboration and partnerships.

4.3.4 THE FOURTH SPOKE

GROWING THE SUPPLY OF INVESTMENT

The social investment market is an emerging market. Whilst we have seen a huge growth in the supply side of the market, thanks largely to government policies and reduction on grant funding, the supply market still requires support to grow. In Northern Ireland there are two specialist social investment & finance intermediaries (of scale) currently active and engaged in the market – UCIT and The Charity Bank Ltd. The high street banks are also active and some offer concessionary rates on loans. Other organisations may on occasion offer a loan facility. The product range on offer to SSOs is limited (largely secured loans) and does not reflect demand-side needs. Large established SSOs will always be able to access mainstream markets. Many hundreds of smaller, embryonic and emerging SSOs cannot access finance on a scale or in a form that they need e.g. small unsecured loans/mixed grant loan products/patient capital/seed capital. Financial innovation simply has not been necessary in a grant-rich sector and therefore the market has not developed.

Growing the social investment market is much more complicated than simply putting in more capital to increase supply and ensuring investment readiness is in place. For the market to grow sustainably, it is imperative to ensure that capital is available to social organisations across a spectrum of organisational lifecycles and reflecting the different business models with often modest financial surpluses. Many organisations, especially in the early days, would benefit from expert support in their consideration of appropriate financial products. At the same time finance suppliers must develop product ranges which reflect the needs of SSOs.

The Northern Ireland Social Finance Market – Supply Side Overview

Product	Readily accessible and available
Overdraft	√
Secured loan	√
Unsecured loan	X
Bridging loan	X

Charity bonds	X
Social impact bonds	X
Equity	X
Quasi equity/revenue participation	X
Working capital	X
Standby/underwriting facilities	X

Through the consultations which we undertook recently, it is clear that there is an appetite for new forms of finance including equity and quasi-equity to grow. However, what would be appropriate remains uncertain and it is important for Northern Ireland to ensure that appropriate support is provided early on to support a scale through product development and for intermediaries to develop a greater track record and sustainability. Most of the consultees expressed their desire for a simple product that would allow them to take their first steps on the social finance ladder and the notion of a grant/loan hybrid appealed to many of those consulted.

INTERVENTIONS

1. Patient Capital fund

2. R&D grant for social investors

3. Use of SITR

4. Honest brokering service

4.3.4.1 PATIENT CAPITAL FUND

During the consultation, consultees were asked if they were to consider repayable finance what type of finance would be attractive to them. The clear winner is a 'simple structured loan' with a grant element to encourage SSOs to borrow. In most cases, consultees said they would only consider borrowing a "small" amount initially. Most said that any borrowing would be unsecured and risky.

This assertion is very much in line with previous research by Ecory's on social finance in Northern Ireland. Since that report, very little has changed in relation to the availability of unsecured small loan products. Looking at experience from England and Europe, a hybrid product of grant/loan would be suitable to stimulate the market in Northern Ireland.

The product must be kept simple; it has to be unsecured often for high risk propositions. Maximum loan amount should be no more than £20,000 with a maximum grant element of 20%. It is important for the product to be manageable for SSOs to service but still offering them the chance to learn about 'repayable funding'. The grant element is an incentive for those who are entering the market and would cushion some risks that SSOs associate with debt provision. By limiting grant to 20%, the fund would ensure that SSOs would take this option as a serious alternative by knowing that the remaining 80% remains repayable. This would encourage change in behaviours and embed financial management discipline in SSOs and these two attributes are much needed in order to grow the demand-side of social investment market in NI.

Similar evidence was found to be effective in Yorkshire & Humber through the Charity Bank in the North project funded by the then Regional Development Agency, Yorkshire Forward and delivered by The Charity Bank Ltd. and The Key Fund. A hybrid grant/loan product was introduced as part of the offering to the SSOs. The take-up of the product was much higher in the early stages of the project in comparison to higher value loans. But the availability of the hybrid product allowed the market in the region to grow and by Year 4 there was a marked increase in demand for larger loans by which time most of the SSOs have been able to gain financial disciplines and a better understanding of how social investment can help their organisation to grow and reducing their 'fear' of taking up debt and investment.

Post-investment support should be compulsory to ensure good management of repayment and also to instil borrowing disciplines in SSOs. Repayment terms should also be straightforward with affordable interest rates (subject to state aid requirements if public money is the source of the support) and the length of repayment should be no more than 7 years.

Depending on circumstances, some SSOs should be provided with a 'repayment holiday' for the first six months. If the diagnostic tool is developed, it should be compulsory for all applicants to go through the process and submit a report with their application.

4.3.4.2 R&D GRANT FOR SOCIAL INVESTORS

Demand side (front line organisations) finance needs are not met by current supply in terms of product range. The product range on offer needs to be broadened and offer more appropriate choices. The types of social investment available in Northern Ireland remain limited. The majority of current financial deals are by way of larger loans/debt via existing intermediaries including UCIT and The Charity Bank Ltd. There is a growing interest in community shares but as yet no completed deals.

Our recent consultation feedback suggests that it would be beneficial to the social sector to have a broader range of investment vehicles available. Whilst debt will continue to be exceptionally useful, equity and quasi-equity finance could also play a major role in growing the impact of the sector. The unavailability of other types of finance is restricting the flow of capital and it is imperative that further work is done with investors and potential investees to encourage this part of the market to grow.

The idea of repayable grants for potential intermediaries was borne out of discussions with existing social investors in the UK. Many England-based investors would be very interested in investing money in Northern Ireland (the availability of capital for them is not the issue) but are very uncertain about demand and the viability of products. Social investors are reluctant to introduce new product into any unproven market such as that in NI. Through a repayable grant scheme, this issue can easily be addressed through research and development which reduces the risks of failing for intermediaries. No other country in EU has attempted this model, but the concept is no different to the tried and tested R&D grants for other sectors provided by governments in EU. The EU Structural Fund has R&D as one of its key objectives and there is no reason why a fund cannot be created for the purpose of growing the intermediary market in NI.

Repayable grants specifically for R&D for new financial vehicles could quickly stimulate the market. Existing and new intermediaries could make the provision of new financial vehicles feasible and ensure that only finance appropriate for the sector is introduced. Such evidence would also encourage investors to invest in the intermediaries. Big Society Capital (BSC) has categorically stated that they would be interested in investing in financial intermediaries in Northern Ireland but they require evidence to show that there is a need.

The idea of an R&D grant would provide evidence to potential capital investors and accelerate their commitment to making significant capital investments in the local sector.

4.3.4.3 USE OF SOCIAL INVESTMENT TAX RELIEF (SITR)

Existing tax incentive schemes, such as the Enterprise Investment Scheme and Venture Capital Trust scheme, have a good track record of encouraging investment in small growing businesses. We believe that SITR could do the same for the social enterprise market and for this reason it should be utilised to attract further supply of capital to the social investment market.

The majority of investors make their decision on individual investments based on tax incentives. Tax incentives, if promoted widely, can also be a key motivator for new breed of investors to enter the social investment market.

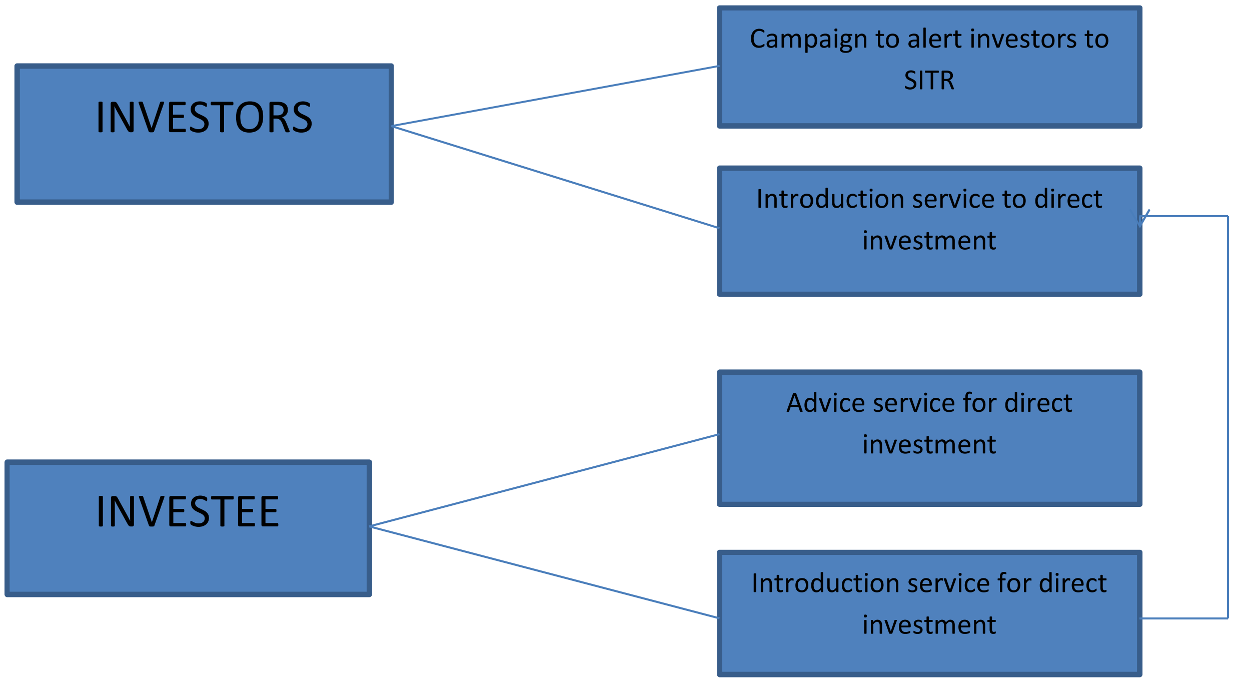
The tax relief will be available to individuals who invest in qualifying social organisations. 30% of that investment will then be given back to the investor as a reduction in their income tax bill for that year. The 30% rate is the same rate as the Enterprise Investment Scheme and Venture Capital Trust investments, and will attract the same capital gains tax reliefs, creating a level-playing field for investment. Unlike the other venture capital tax reliefs, the social investment tax relief will be available for debt as well as equity investments. Eligible organisations will be able to receive up to €344,827 (around £290,000) over three years in tax-advantaged investment. This amount is in Euros to maximise the level of investment organisations can receive without infringing EU rules. Investors can invest up to £1m per annum on which they can receive the relief.

Final guidance for tax relief will be made available after July 2014 once the bill goes through Royal Finance Assent. Interim guidance can currently be found on:-
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298220/Social_investment_tax_relief__SITR__draft_guidance.pdf

Intervention

A SITR campaign linking in with existing intermediaries could be created to maximise opportunities. Part of this work should also include information sessions by qualified individuals who could also advise social enterprises on how to access direct investment. This service could be part of an ‘honest brokering’ service which is also recommended in this report.

SITR


INVESTORS
Campaign to alert investors to SITR
Introduction service to direct investment
INVESTEE
Advice service for direct investment
Introduction service for direct investment

4.3.4.4 HONEST BROKERING SERVICE

The social investment market is very hard to navigate for many people. Whilst investors attempt to be jargon-free, potential investees remain confused. The variety of products available adds to the confusion. Unless an organisation has in-depth knowledge of the financial markets and products, it is very likely that many do not understand what is available to them and what type of products may be best for their plans.

In England, much talk has taken place over the last few years about an honest brokering service but no real progress has been made. We have been unable to find any other examples in other countries in the UK or Europe. We have floated the idea with SSOs at consultation seminars and the idea was met with full support. Most organisations we spoke to felt that such a service would really benefit them especially in the early days to understand the market better. We also sought the opinions of social and capital investors including BSC on this issue. The consensus was unanimous; as long as the service remain completely independent then it would not only accelerate organisations to enter the social investment market but also educate them in the process of choosing appropriate vehicles.

The brokering principle is well-established in many sectors and an effective intermediary offers parties (investor and investee) time, efficiency and cost savings. Filtering, refining and matching the needs at an early stage typically creates more win/win situations and fewer inappropriate and fruitless finance 'applications'. In an immature, emerging market such issues will be critical to the ongoing engagement of investors and the development of that market.

A lean team of possibly 3 people should be set up to provide honest brokering. The individuals should be qualified in banking or have very strong understanding of the financial vehicles in the social investment market.

The individuals could be retained as self-employed associates where they would be paid for the actual time they spend on the project which would reduce costs in comparison to setting up a team of full-time staff.

4.3.5 THE FIFTH SPOKE
SERVICES TO STAKEHOLDERS & PARTNERS

The importance of stakeholders and partners in the development of the social investment sector must never be underestimated. Funders, policymakers and commissioners all contribute to the shape and make-up of future funding for SSOs and they are often the catalyst of something new by providing funding support for pilots and new ideas. Market shapers can help steer the evolution of social investment in Northern Ireland by contributing and continuing to lead the conversation about what kind of investment and support services the country is looking to build. For this reason alone, it is critical to have them as an integral part of The Hub.

The Hub is also an ideal opportunity for stakeholders and partners to engage with each other and/or with SSOs and service providers. Those who were participants in the consultation events were keen to forge a stronger understanding of the social investment market. Many were particularly keen to have access to the SSOs to share information and intelligence on existing and future programmes. Widening the participation from a bigger pool of SSOs would also be a real positive outcome for funders, commissioners and policymakers. The idea of a one-stop-shop for all appeals to them on the basis that engagement would be easier and more effective.

INTERVENTIONS

1. Conduit for existing & future projects and contract opportunities

2. Dissemination and sharing of information

4.3.5.1 CONDUIT FOR EXISTING & FUTURE PROJECTS & CONTRACT OPPORTUNITIES

The networking capacity through The Hub portal will become the route for live updates and information, delivered in the community. The market in social care and health, for example, is proving to be the most significant in size and where the sector is currently contracted to deliver. There is a requirement for collaboration across organisations to be ready to respond to the demands and scale of an increasing number of public contracts and The Hub should be a natural place for information to be shared and even for collaboration to take place.

The opportunity to network, directly meet and have early stage discussions with the 'buyers' of services is critical to longer term business development for the sector and The Hub would be the focal point as the route for procurers and funders. Where there is existing activity to provide this service, then The Hub service should be aligned with existing provisions and could be expanded through existing routes.

In terms of commissioning and procurement, the benefits of meeting with procurers are to understand what procurers are looking for in the delivery of services. This is important in business terms and can easily be achieved through 'meet the buyer' events. The opportunity to build relationships, whereby there is a mutual understanding of what is required by the procurer and what organisations in the social sector can offer is critical to building the capacity of the sector to be in a position to bid for contracts, individually or in collaboration with other SSOs. The hub could host the more generic requirement including processes for bidding for contracts, timescales, financial capability and level of documentation required. Events should be delivered in different geographical areas which are the most appropriate to engage the organisations and communities in which services would be delivered.

4.3.5.2 DISSEMINATION & SHARING OF INFORMATION

Just like SSOs and service providers, stakeholders and partners would really benefit from sharing of information and to learn from each other and others. Market intelligence would produce better service for the sector and avoid duplication. Through the sharing of information, stakeholders and partners can avoid making the same mistake twice.

The lack of understanding of social investment and its potential uses extends to partners and stakeholders. A specific training programme should be designed for those working in public bodies including commissioners to give them a better understanding of the different types of financial vehicles available in the wider UK market and what support would be necessary to achieve the desired outcome. For example, on more than one occasion the question regarding Social Impact Bond was asked by a number of consultees from public bodies and its suitability for the Northern Ireland market. In all instances none of the consultees fully understood what is required to set up and run Social Impact Bonds as a financial vehicle.

5. The Governance Structure

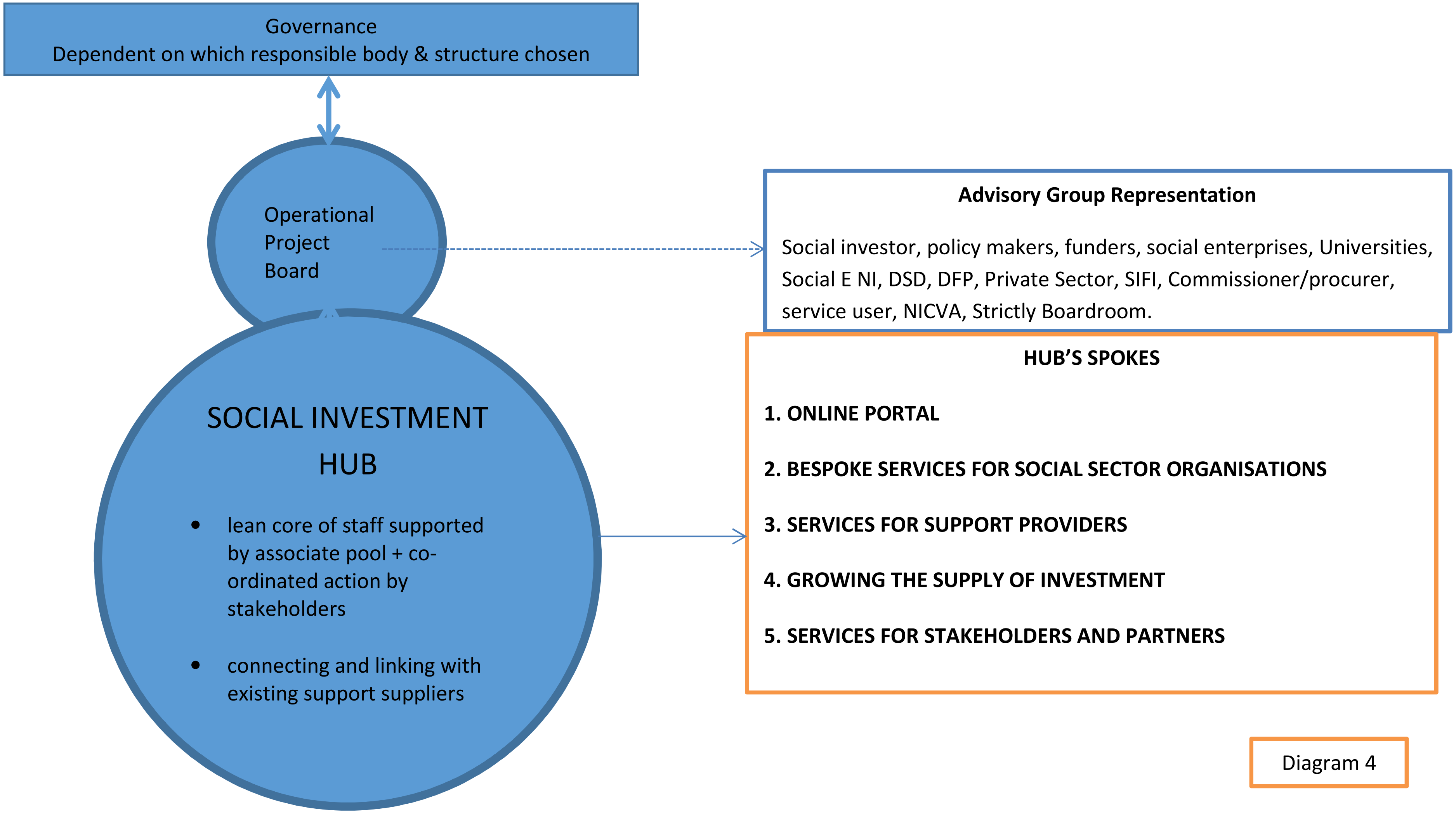


Diagram 4

5.1 THE PROGRAMME MANAGEMENT FUNCTION & GOVERNANCE

Management arrangements for the desired programme will ultimately rest with BCT and other funders. The final governance structure chosen may therefore require an unusual mix of both normal Governance activity and collaborative/partnership activity amongst Board members and their core organisations e.g. grant funder working in partnership with social financier and commissioner to construct a successful deal. We would recommend that there should be several layers of programme management functions to ensure the success of The Hub. The appointed programme partner, ought to have the responsibility for day to day management of the overall programme and this could be done via a lean but experienced project management team.

The team should be experienced individuals who are also able to ensure appropriate connections are made with existing and future support programmes from different agencies. This co-ordinating role is important to ensure the concept of 'one-stop-shop' works effectively.

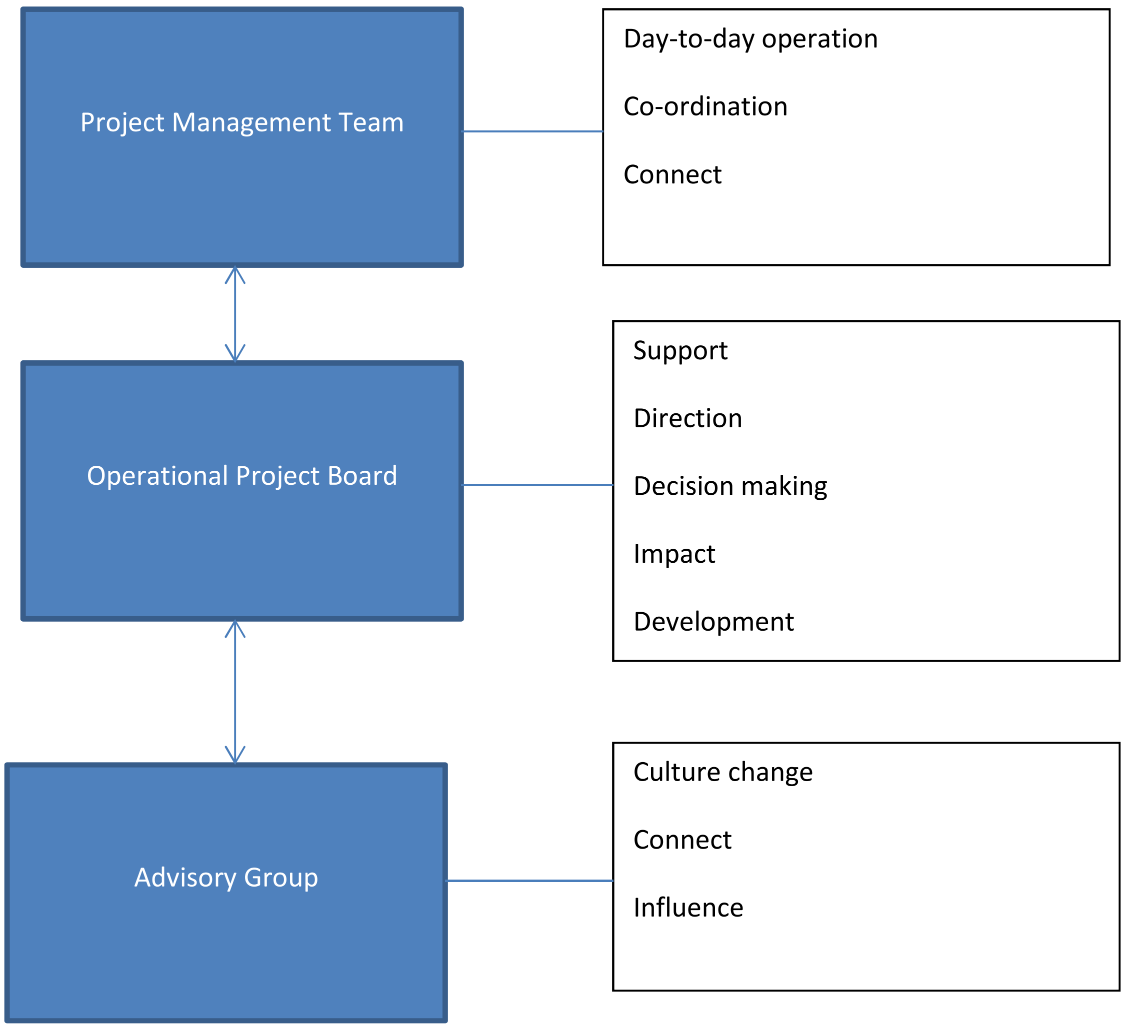
The project management team must have the capacity to bring in associates to deliver the respective spokes to successfully manage the intended phasing of the development of the spokes, specific interventions and support programmes. In order to keep overhead costs to a minimum a number of associates could be registered with The Hub to deliver the strands as they are phased in and out of programmes. Working with associates, enables central services, or core staff to provide The Hub services and associates to jointly develop and deliver the spokes and services matched with appropriate levels of finance.

An Operational Project Board represented by relevant funders and programme partner(s) would have a pivotal role to support and direct the programme management team. The project board should have a decision making role and a responsibility to demonstrate the impacts of the services delivered by The Hub and to further develop the services in line with the needs of financial products and the supply of capital to the sector. This is important for the development of the programme as relevant services should be developed and added to The Hub based on future needs and it would make sense for the Operational Project Board to make the required decisions.

The final tier of governance should be in the form of an Advisory Group. The Advisory Group would act as the "sounding board" for the Operational Project Board. We understand that the Advisory Group cannot have decision making power but we believe it would still have a powerful role to play. Acting as the strategic overarching group in NI in the move to drive the culture change the group should bring together the key stakeholders from across the VCS enterprise sector, investors, policy makers and key government departments who can exercise influence to create the conditions and mechanisms for change in support for an enterprising SSOs. It is therefore vitally important for the right people with the right skills to be recruited as members. It is expected that members will be recruited from a diverse range of relevant organisations and stakeholders and it is important to actively recruit 'new' people to the Advisory Group to bring in fresh ideas. We recommend that group members are incentivised to maximise the impact, time and resourcing of the stakeholder. There are different approaches to incentivisation, but it is an area that requires discussion including:-

- Payment direct to individual advisory board members / advisors in recognition of their contribution
- Organisations to be paid for the release of individuals time / contribution of the organisation
- Payment by results – impact of the role of the advisory board
- Extra R&D funds available to the advisory board if successful impacts are made

Together, the governance and programme management arrangement will play an important role as the route to access to investment and support programme in Northern Ireland.



6. CONCLUSION

Our research clearly indicates that developmental change is necessary on the part of all stakeholders if the market for social investment is to grow in NI. In this context, we have chosen what we feel is the simplest pathway for all stakeholders: one single hub serving the needs of stakeholders based on their actual needs with the ability to grow and expand as the market develops. In order to succeed, the Hub must act as an effective conduit (of opinion/experience/ideas/initiatives) between SSOs on the ground and funders/finance providers, commissioners etc. The Hub would be the central point of multi services for SSOs to encourage and develop an enterprising approach enabling access to a more diversified range of funding models.

Based on the consultations, we believe that SSOs would be more likely to respond and participate in a programme that gives them an easy route into an online portal with access to a host of services including advice, information and guidance and is linked with an online self -diagnostic service for those who wish to develop their organisational resilience further. The Hub will be positioned to connect the supply and demand sides of social investment in the drive to increase an enterprising approach. It would also enhance the demand for social finance products across the spectrum of SSOs. The Hub would play a major role to ensure alignment of R&D, product development and leadership in the growth of a more enterprising approach in the social sector.

The key principle of The Hub has grown from the establishment of ideas and principles based on what unites and not what divides SSOs and other stakeholders. Changing environments require changing infrastructure. The structure proposed for the programme provides a framework and mechanisms for all relevant stakeholders and partners to work together to find solutions by developing and trying new ways of doing things.

ANNEX A: CONSULTATION EVENTS & SURVEYS

1 Issues raised in the consultation seminars and workshops

Roundtable Consultation Events – frontline organisations, policy makers and funders.

Partnership approach – supported by over 240 attendees

1.1 Context

A summary from the seminars on social investment and the issues presenting VCS organisations and the range of support that will be required to enable them to access and work with repayable finance. The support requirements include the means to contract and the delivery of services, competing in a world of competitive procurement, in Northern Ireland. The Charity Bank Ltd. has been supported by Atlantic Philanthropies and the Building Change Trust to develop a support programme, focused on investment readiness for organisations and to identify the range of capacity building measures needed for the vcs sector.

The seminars were aimed to:

- understand the needs of organisations in terms of social enterprise, trading and funding support;
- identify what type of support participants feel are most important;
- and examine what interest there is in loan finance, for what and how this might be best supported by The Charity Bank Ltd. , BCT and other financial institutions.

We have captured the issues raised and linked them to the offer and services that the Social investment Hub could deliver.

Events:

Funding for the future seminar – Malone House 5th November 2013

Lending, social enterprises and the age sector - 5th February 2014

Ulster University cohort - 23rd January 2014

Social enterprise – rural development - Cookstown 14 February 2014

Resourcing Community enterprise, resourcing community development now and into the future DiverseCity Community Partnership 13 February 2014

1.2 Theme

Understanding of organisation and sector development for the future

- The need for innovation – research and development in relation to repayable / loan finance - **Advisory group**
- To learn from organisations that have strategies in place and are engaged in competitive tendering and creating efficiencies – **peer-to-peer support**
- The need to move towards 'commercialisation' is widely accepted – **enterprise support**
- Risk aversion at board/committee (rather than operational) level is a barrier to commercialisation – a recurrent theme, 'learning & skills' issue **– peer-to-peer support for Board members – use of (strictly boardroom)**
- Need greater range of expertise from trustees – (strictly boardroom activity)
- Opportunities to use private sector organisations to gain expertise – **use of intermediaries ie accountants, lawyers etc**
- Survival and growth to consider the need for the merger of organisations - **there is a strong desire for growth & development, which is different from PWC findings that 66% of organisations had no plans to expand and grow.**

1.3 Understanding of the market

A number of participants felt that **sectoral mapping** would be useful to benchmark skills, identify training priorities, assess the current use of social finance and to understand what financial products are needed. This might help coordinate the supply of training more effectively. There are a number of programmes (offered by Development Trusts Northern Ireland, Workwest and Social Enterprise Northern Ireland) and some coordination would help users to decide what is best for them. The sectoral mapping ideas came through the seminar for age related organisations.

A lack of understanding of the **types of Community Development Finance Institutions** operating in Northern Ireland, their products and how they differ from commercial banks. There was particular interest in low cost options such as Community Shares, how they work and the risks, especially how people withdraw or trade individual shares. **Response – web based information on finance and webinars, telephone, through to face to face business development.**

Equally, a number of participants saw a potential for equity finance, for example, in care and accommodation for older people. As noted previously, a number of new-start enterprises felt that the £50,000 minimum lending from The Charity Bank Ltd. was too high for their needs, the stage of organisational development and ability to repay. **Response – a range of financial products, a ladder of grant/loan products leading to the £50k loan floor of The Charity Bank Ltd. and UCIT.**

- Organisations need to be really clear about **why they are using social finance** and whether it is the best option for them. Some participants felt 'panicked' into borrowing in the context of public sector cuts, the run-out of EU funding and the end of Atlantic's age programme.
- Systems are required to help community based projects to evaluate how social finance fits with their organisational strategies, values and sustainability plans. A number of participants highlighted cultural barriers in thinking about *profitability*, especially where the service ethic is strong. –**use of the organisational diagnostic tool and individual support**
- We also need to be practical as many organisations and not just smaller ones, cannot afford the time to invest in skills programmes especially given pressure on training budgets. – **to refer and use the Big Potential diagnostic tools to identify where there are strengths and areas for development in the skill needs of the organisation.**

- The need for some **market intelligence** on the sectors, products or services that might be profitable was one practical idea to help define more closely how social finance would position the sector to exploit opportunities. For age organisations it was evident that many organisations are not aware of the implications of *Transforming Your Care* and what this means for service provision, the need to collaborate more effectively and the type of competencies that staff and boards will need in the future. – **web based, live updates and link into networks specific for the health and social care sector.**

1.4 The future of funding, the issues and requirements for investment support

- An understanding that growth is value driven growth with variations between organisations and the services delivered, across the sector - **Incentivising culture change, all**
- A need to up skill staff and trustees - **Skills development**

- Collaboration (rather than competition) desired whilst maintaining focus on local needs - **Network development & support**
- Govt depts. expected to place disproportionate emphasis on collaboration – **Collaboration NI**
- Smaller groups might disappear
- Social finance and Charity Commission regulations are 'uncomfortable' for many orgs
- The Fareshare Community Model to be given serious consideration
- Rural CVS organisations will partner with organisations from outside their areas/ broader geographical spread - **Peer to per support**
- Culture shift towards business approach will continue and business support can create organisation sustainability **– Advisory group, Partnership building – forum for investors, funders and policy makers**
- Politicians need to take practical steps to support culture shift – **Advisory group**
- Still need to please those in power to secure funding
- Foresee reductions in funding from traditional (grant) sources
- See a clear need to increase trading income
- See a need for more innovative / diversified approaches to funding - **R&D role**
- A need for collaboration by funders to get together and tailor support for what is actually needed – deliver integrated/ co-ordinated products based on need eg front loaded funding rather than spend / claim – help overcome cash flow problems - **Product development, through the investors network, working capital etc**

1.5 Research and development

Role of the Advisory group :

- A need to fund risk and innovation – accept at the outset there will be a level of failure
- Will need infrastructure support around procurement/tendering to achieve success
- Innovation important – stop funding same old, same old
- Provide working capital for new enterprise development – new enterprise beyond current grant funded activity
- Provide up front funding rather than spend/claim
- Remains a need for funding running costs and capacity building – developing expertise and the organisation in addition to delivering services

2 The type of investment readiness support required

2.1 Capacity Building

- Support for culture change – maintain the 'profit is not a dirty word' message – **Advisory group**
- Quality shadowing/mentoring is more effective than training – **Peer-to-peer support**
- Mentoring support focused around business, finance and marketing – **Peer-to-peer support**
- Develop learn by doing capacity building methods
- Provide route map + ongoing guidance on the development journey – **The Hub Portal**
- Grant funders to support culture change – grants to reflect same by supporting organisational development as well as programme/service delivery
- Provide grants for capacity building supported by subsequent loan finance – **supply side products**
- Upskill in advance rather than last minute when circumstances dictate
- Simplify language
- Improve social value measurement, impact analysis and measurement - **impacts**
- Diversification support needed including partnership with the private sector **– Business support**
- Facilitate access to those who have been there and done it rather than offer more training & improve peer-to-peer information sharing - **Peer-to-peer support**
- Provide expert facilitation (rather than generalist) to bring out the best in the group
- Provide Investment Readiness Support at every level

3 Funding and general support

3.1 Product development & partnership Collaboration NI:

- Tenders/procurement – review criteria weighting and reduce emphasis on price
- Provide staged funding – from seed corn to longer term development stages
- Support collaborative work with local groups to develop area funding strategies (Fair Share Model).
- Provide more information around Community Asset Transfer in local context
- Develop Credit Unions as a source of funding
- Improve awareness of different funding options and associated risks
- Mitigate risks associated with competition
- Do not fund external business plans by professionals
- More openness and accountability from public bodies to CVS
- Develop a Supporting Community Champions programme
- Open doors / improve access to public sector eg Councils
- Reflect risks in interest rates charged on loans
- Educate groups around personal risk and liability

4 Learning and skills

To invest in the development of **skills at board level** was viewed by a number of organisations as just as critical as at the staff level and often there is a disconnection between the expectations and ambitions of trustees and the core staff. Some boards are more risks adverse, strict about debt finance and careful about the use of reserves. Prudency is not a problem but it is clear that investment readiness skills (and cultures) is not just an issue for senior managers.

There was also an awareness that the SSO sector could work more closely **with politicians** to strengthen the enabling environment around both investment readiness skills and lending. This might be especially important in creating a mix of grant and loan funds suited to incubating new projects. Following on from the presentations it was recognised that political advocacy was needed, particularly around social clauses in procurement, getting access to state owned assets (via asset transfer legislation) and potentially subsidising loans to organisations starting on the lending journey.

A number of participants also highlighted the need for **a variety of learning styles** in delivering investment readiness programmes. For example, participants felt that **study trips**, **evaluating best practice** and **experiential learning** were as important as classroom based approaches. Secondments between vcs organisations and CDFIs were especially valued. **Mentoring between social entrepreneurs** who had used social finance and new organisations could help knowledge transfer approaches to work more effectively.

5 Capacity building & support needs

5.1 All built into the hub model:

- Business development support around strategic and business planning – short and long term
- Support needs to be 'smarter' than in the past - bespoke – delivered by people who understand the sector and organisation rather than external 'generalist' consultants
- Advice/capacity building around access to and securing finance needed
- Need bespoke 'jargon free' training as part of a joined up support framework
- Need capacity building support to develop commercial dimension to activities
- Support should continue beyond start up – continue as organisation grows and develops - sustainability support
- mentoring from people who really understand the sector & peers
- Sharing of best practice needed – learning from peer organisations

- Working examples of successful social enterprises, for inspiration
- More support from government – government seems to be starting to see the value of social groups – now needs to provide practical support

6 Types of finance

6.1 Product development:

One of the priority areas in finance for smaller age organisations is unsecured lending. This included the need for:
working capital,
seed funding to develop projects (including legal or consultancy fees)
risk capital - to develop a new service or facility (such as a charity shop). Often, the amounts involved are small (under £50,000) but it is difficult for organisations that lack reserves or collateral (especially owning property) to borrow, even when there is realistic proposes of profitability.

There was strong interest in **patient capital** that could offer competitive rates, dedicated business support, repayment holidays and a blend of grant and lending, especially for organisations entering the market for the first time. The development of specific products, particularly to get organisations to first base and at the same time, develop their skills by <u>using</u> capital, has particular appeal in the age sector.

7 Procurement Issues

Procurement**:**

- Need to review weighting of tenders – increase weight given to social impact and not simply focus on cost. (eg. MARA is good but costs VCS to be involved).
- Commissioners expect sector to deliver services at a loss? – the thinking has to change
- Short term contracts an issue – don't allow sufficient time to capacity build for effective delivery
- Public Sector organisations need to pay for services provided – they need to understand commercialism as well
- Funders and commissioners don't understand community sector – they need to develop their understanding of it's real value and not just go for the cheapest option all the time
- There is a (false) perception that the community sector as a whole is not professional

8 Priorities

Participants of all the consultations were asked to prioritise their needs with regard to social finance and investment readiness skills. A wide range of issues emerged but the key concerns included:

- Investment readiness skills are important but these need to target both board members and staff with a mix of learning styles. **Programmes should be applied, practical and time efficient with an opportunity for peer mentoring and knowledge transfer built into delivery methods.** A continuation of business support to be available as organisations adapt, grow, shrink and merge.
- There appears to be an appetite for small loans, patient capital and a blend of grant/loan products, primarily below the current lending floor of the two most active social lenders in NI; The Charity Bank Ltd. and UCIT which is £50,000 and £25,000 respectively. Lenders themselves must have regard for their own sustainability and will vary their preferred loan sizes accordingly. However lender limits around loan sizes remain higher than demand side needs. There are a number of smaller organisations with significant opportunities to commercialise. A broader product range could help with research and development, testing new products or enabling organisations to support collaborative working. A ladder of investment with **seedcorn funding, grant & loan mix, to capital loans and working capital.**
- There are a number of smaller organisations with significant opportunities to commercialise. This could help with research and development, testing new products or enabling organisations to support collaborative working. A ladder of investment with **seedcorn funding, grant & loan mix, to capital loans and working capital.**
- **Market intelligence** is also important both in terms of current training suppliers and financial products. Basic research into market opportunities for social enterprises would provide a good baseline to help organisations prepare, collaborate and form commercial models. This would also assist their understanding of social finance and the skills they need to use it effectively.
- **There was an appetite for a hub model that could service the whole of the sector, the focus being on the services provided rather than a specific model.**

Annex B: Evidence base

1. Background research in support of an Investment Readiness Programme for social investment in NI, based on findings from UK, Europe

The Building Change Trust are considering developing an Investment Readiness (IRP) Programme for 3rd sector organisations for the next 3-5 years. They have commissioned The Charity Bank Ltd. to run a consultation exercise with the sector, funders and policy makers, to provide an evidence base of support for an IRP in supporting the growth of the social economy, using good practice from other countries. The work will inform and shape the future of any investment readiness programme and services in support of organisations to secure finance and develop appropriate business support models in a changing financial climate.

The report seeks to provide an overview:

- Mapping and analysis of UK based IRP programmes (excluding NI)
- Mapping and analysis of EU based programmes (including private sector successes)
- What can we learn from the practice in the UK, Europe and other countries building an IRP based on the demands of the sector and how we build an infrastructure to develop a viable and sustainable 3rd sector, over the next 5 years.

Investment Readiness in the UK – the definition of which has been detailed in the introduction paragraph in the main report. (see reference 1)

The Context for social investment:

The European social economy sector represents today at least 2m enterprises and employs over 11 m paid employees, which is equivalent to 6% of the EU's entire workforce. *(Investing in social Europe, Jan 2013)* [2]

There are different ways of measuring the size and scale of the social enterprise sector across Europe. In the UK, government estimates suggest that there are **70,000 social enterprises in the UK, employing around 1m people.** 'The People's Business, Social Enterprise UK from the State of Social Enterprise Survey 2013, supported by RBS.[3]

The **'total investment in VCSEs in the UK in 2010/11 has been estimated at £165m**, of which 70% was made by the four social banks (Co-operative, Triodos, Unity and The Charity Bank Ltd.), Charities & Social Investment , March 2013.[4] In addition the launch of **Big Society Capital, with the injection of £100m through the Social Enterprise Investment Fund a**nd the support for social impact bonds, demonstrate the significant rise in the financial resources directed to support the growth of the social economy and social enterprise.

2. Introduction

We have sought to bring together, from across Europe, the thinking, models and practice of business support services, with access to finance as a critical component. The reference material is focused on the UK, European and North American contexts, based on the growing body of evidence that social innovation, successful models for business growth and the financial products to support development are the fundamental elements within a model . The reviews of the models are taken from current research of the social investment markets with investment readiness at the heart of growth and sustainability, based on the support for the social economy sector, SME and business growth programmes.

Developing the priorities for investment readiness, in the support for access to and management of repayable finance products, is based on an understanding of the national and international context. It will be a complementary document to *'Investment Readiness Recent Research and Practice – Indicators for the NI Social Investment Market'* Bulmer, Donaldson and O'sullivan (2014-2019) January 2013 with reference to practice from within the UK and EU. 'Investment Readiness Support programme NI (2014 – 2019)', Azlina Bulmer, Paul Donaldson and Orla O'Sullivan – The Charity Bank Ltd., January 2013.[5]

The learning from UK policy and from individual EU states continues to develop in respect of the significant changes in the financial climate and the policy responses in the UK and the EU to the delivery of public sector services. The reduction in public sector finances is being experienced across many European countries, and specifically in relation to funding to address the social agenda. In the UK this has impacted on levels of grant funds channelled through local authorities and other public sector departments and agencies.

The development of public policy from early 2000 and the pre financial market upheaval of 2008 was an upward trajectory geared to developing financial products and access to market for the social economy sector that could create a balanced and sustainable financial base for the delivery of local services. It envisaged the future for social economy would be through the greater mix of grant and repayable finance, using loan and equity finance. Establishing sustainable financial business models has continued to be a priority with a greater and urgent focus to maintain the services that are demand led and needed by local communities and a focus on how SSO's organisations remain financially viable.

3. Executive Summary

The evidence seeks to identify the critical elements on which to build an investment readiness programme for NI, from examples and approaches developed in the UK, Europe, USA and Canada. The examples are based on the research to date and with reference to evaluation and interim reports of current programmes.

The majority of the examples, more specifically in relation to the programmes for social business, are greater in number in the UK, or have received greater investment and profile, than in the wider EU region. The models for business support, in particular around business innovation are drawn from a number of European sources where the modelling is considered as an approach which is transferable in the context of social innovation. The EU examples are drawing from the success of business innovation hubs where current policy development identifies the potential for similar models and approaches to addressing the social issues faced by individual countries and regions.

The business growth programmes that have incorporated the SME and social economy sectors have raised the issue that there is much to be learnt from incorporating business growth programmes across sectors.

There is the potential for developing a business support / growth programme taking the model of a successful innovation hub and bringing together the learning and inputs for all elements of an IRP offer together with appropriate financial products.

The development of the European programme through ESF funds has been out for consultation and the concept of social innovation hubs could form part of a wider proposal within the NI programme. ERDF could also be utilised as introducing new form of social capital for the sector.

In the context of NI with a discrete geography and close proximity of the points of business concentration, business expertise, focus of growth of social businesses and the policy development and commissioning of services, there is the potential for a social and business innovation hub that could incorporate all the elements for an investment readiness programme together with new social financial products.

On the basis of an outline model, it is a proposal that it could form part of the consultation events across NI, linking with the development of the ESF programme and other structural funds. The research to identify the lessons and practice will also identify the blend of an Investment Readiness Programme.

4 Investment readiness programmes

The evidence makes a compelling case that investment readiness has to be supported by government policy on access to finance linking SMEs. '*The effectiveness of supply-side and other forms of intervention (e.g. business angel networks) will be compromised unless efforts are also made to address the investment readiness of the businesses that are the intended targets of these interventions. The central objective of* *investment readiness programmes is to raise the quality of investment opportunities. So how should they be designed? An intervention that is designed to enhance investment readiness amongst the SME population must address all of the components that influence the quantity and, in particular, the quality of demand for equity finance, namely equity aversion, investability and presentational issues'*, Facilitating access to finance, OECD [6]. Information and support through a blended combination of information, an investment readiness development programme and a peer support network. The principles are transferable directly to the social business sector.

4.1 Current practice and models operating in the UK

There are many examples of current models operating in the field of investment support, supporting growth in existing and start up business, growth for high value business, specialist programmes for social organisations becoming social enterprises and balancing grant with trading income. This is not a report to review the success or comparative values of all these programmes and initiatives, but one that draws on from what has proved effective in supporting business development for the social business sector.

The current business support programmes are built on the evidence of good practice from previous programmes and tailored to finance available to support IRP. The report is seeking the combination of elements that demonstrate success, change and impact on communities and on the individual business models.

We have taken examples of some of the programmes that have been reviewed and evaluated to identify the elements of success and the culture of success that underpins the approaches. Integrated in the approach, is the harnessing of the success of SME programmes to that of social business support, not in isolation.

In parallel to the programmes for investment readiness are the business support services, which are accessed through telephone and web based information. They are now a fundamental to national business support programmes. The purpose of the report is to build structures in NI, which will increase take up of business support services leading to greater understanding, interest and access to finance.

We have taken examples from current programmes to identify the critical elements and approaches that are generating growth in the business and social economy sectors**.**

Exemplas

Inspire2Enterprise elements Inspire2Enterpise from Exemplas comprises: working with key decision makers, commissioners, stakeholders, delivery organisations and corporate sponsors. All are seeking to support social enterprises providing free access to information, advice and ongoing support by telephone, email and online, covering every issue involved in setting up, managing and growing a social enterprise offering subsidised, fee-based specialist services by telephone, email and online, including financial advice; legal advice; training; procurement support and matching; student and graduate placements; investment readiness and access to capital; and research services.[7]

High Growth Business support

Goldman Sachs 10,000 small business programme

Participants benefit from a full package of support with a strong focus on structured peer learning and the creation of communities of entrepreneurs. Each participant undertakes the programme as a member of a cohort of 25 to 30 entrepreneurs. The core of the programme, undertaken by all participants, is a cycle of 12 modules each focused on a different aspect of business growth. The modules together constitute a coherent and comprehensive curriculum designed specifically for *10,000 Small Businesses* UK. Over the course of the modules every participant develops a Business Growth Plan to guide the growth of their business beyond the programme.

The core programme is supplemented by topical workshops, legal clinics, one-to-one mentoring and other support tailored to participants' needs. The emphasis throughout is on learning that is practically applicable in participants' businesses and on creating an environment of trust to encourage the intensive exchange of ideas and experience between participants. Over time, a unique national community of entrepreneurs has developed that is focused on growth and unified by the shared experience of having participated in *10,000 Small Businesses* UK.

The comprehensive research on the Investment Readiness market for social businesses was undertaken in 'Investment Readiness in the UK', July 2012,[8] supported by Clearly So, New Philanthropy Capital and Big Lottery Fund. The study covered all areas of investment readiness and the mismatch of need and provision, the similarities with the SME sector and the perspectives of investors. We are not looking to replicate the research but draw on the points of need, demand and match of investees and investor perspectives.

Designing investment readiness support

Programme design should be flexible and piloted to provide high quality input to fill the identified gaps and mismatches described above. Generic support may be more suitable, particularly for the earlier stages of investment preparedness. The more costly and time-consuming tailored support is then reserved for organisations that have advanced beyond early stages of preparation and seek to tackle more specific and / or complex needs. Categorizing investment support into generic and bespoke provision can help make support as cost effective as possible. Support could be structured across any one or more of three different approaches: 1) **by taking a sector approach** 2) **by taking a skills approach** and 3) **by taking an approach that focuses on the support needs associated with the development stage of an organisation**. Building up pools of expertise, offering peer workshops, mentor support and linking with mainstream support are all also important. The development of the Investment and Contract Readiness Fund, which will use government grants to support larger, more ambitious organisations, will prove a useful source of learning. Investment readiness tools need to provide filtering and signposting, and identify ways to distinguish and provide for the specific needs of early stage organisations which are small but ambitious for growth from those which are small but will remain locally based.[9]

Impetus – The Private Equity Foundation (Impetus – PEF) is different to traditional grant makers. Investing in a whole organisation, rather than isolated projects, and are focused on the long-term impact of the organisation. This approach, which involves providing ambitious charities with a support package of money, management support and specialist expertise, has proven to be more effective than money alone, helping to turbo-charge our investee charities. To each organisation they invest in, is assigned a highly experienced Impetus – PEF investment executive. He/she brings knowledge from both the private and voluntary sectors and working closely with the investee organisation to help it become even more efficient, and transform its social impact.

Growth Accelerator – UK business

The GrowthAccelerator works by finding businesses with the highest growth potential, identifying and helping to overcome the barriers they face and providing support under four streams of activity: Access to Finance, Business Development, Growth through Innovation and Leadership and Management.

Why it works

‘Success starts with the strongest possible leadership, with clear roles and a focused plan. So Growth Managers and Growth Coaches focus on working with these leading management teams to further enhance their core skills, providing training where necessary. The service then provides companies with specific solutions to overcome their individual growth barriers so they can realise their big ideas. This approach, matching expert coaches who understand a business' specific challenges and can devise a targeted growth plan for them, is translating into real business growth. [11]

4.2 Examples of practice / lessons from the EU

- Mapping and analysis of EU based programmes including private sector models

  One of the features of the future of the European position to refocus ESF funds is to support the social economy and their approach in testing a methodology and learning from existing good practice. In looking at what and how they achieve through examples of good practice could be critical to building these points of reference into an IRP programme in NI, where many of the participants will be looking to apply and match these funds. The objectives that we will focus on in delivering the new programme are:

In NI the future programme of ESF funding (currently out for consultation) will be focused on the following 3 priorities:

- promoting employment and supporting labour mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and life-long learning

  Within the scope for ESF in the 2014 -2020 round is the greater linkage with ERDF and within the EU policy development of financing social impact.

In relation to IRP, there are fewer examples of IRP type activities in EU funded programmes, that have operated outside of the UK. In the literature review the documentation and examples of good practice come through programmes developed and devised in the UK, be that public or private sector funded. However, under the emerging EU structural fund programmes there is a priority to actively encourage the application of EU funds to support the development of the social economy sector to access social finance.

The European perspective of the position and potential for social entrepreneurship is captured in the following statement:

The Commission proposed the new Regulations that will govern the European Social Fund (ESF) in the period 2014-20204. One of the investment priorities reads "Promoting the social economy and social enterprises" …(to) … widen the scope for the use of financial engineering instruments under the structural funds.

The new ESF can be expected to provide the scope for the promotion of social entrepreneurship through financial instruments. This is new territory for ESF and will provide the broader policy context for levering in funds for (2014 – 2024).[13]

4.3 European Perspectives

Social enterprises and the social economy – what roles do they play?

The social economy is an important player in delivering support to people on the ground. Social enterprises can complement public sector efforts, and can be pioneers in developing new markets and supplying affordable products or services of higher quality for societal purposes. The social economy also plays an important role in supporting the labour market integration of those who are in a precarious situation. The European social economy sector represents today at least two million enterprises and employs over 11 million paid employees, which is equivalent to 6% of the EU's entire workforce. The SIP emphasises that it is important for Member States to provide social enterprises incentives for start-ups and put in place an enabling regulatory environment. Investing in Social Europe, Jan 2013 [14]

The need for awareness raising, capacity building and training in support of the growth of the social economy are fundamental to the 3 tenets on which to stimulate and build innovation for social policy and a context that holds the social economy as a central . Social policy within the EU funding programme of 2014 – 2020 will concentrate on employment and business growth in the SME and social economy sectors. The focus of funding / investment support will be in the following areas, of which the first two are the most important for the development of social enterprises.

.1 Poverty and social exclusion

.2 Health care and long-term care

.3 Pension

Financing social impact is a central feature within the investment prospectus that forms the EU policy and guidelines to ESF funding. Priorities within the 2014 programme, using methodologies tested in SME growth programmes which could be applied to the development within the social economy sector. To understand what they are aiming to achieve and how they are going to measure relative success and failure, will be an important feature of an Investment Readiness programme, as measuring outcomes and investing for results is becoming an increasing addition to many public sector contracts.

The EU Commission is developing ways to guide and support Member States' in their respective reforms. For example, to develop a methodology to measure the **efficiency, effectiveness and investment,** as to how public sector budgets are invested to achieve positive outcomes for social policy. The issue of accounting for **social value** a criteria recognized within public sector commissioning of services in the UK, it has been a long term issue now formally reflected in legislation in the Public Services (Social Value)Act 2012.

Social businesses and enterprises have argued that they can add greater social value than the private SME sector, now reflected in the concept of social value within the legislation underpinning public commissioning. The Act, requires that a business will need to demonstrate and evidence how it adds social value in any bid to deliver publically funded services. In the context of becoming investment ready, it will be incumbent on any organization to demonstrate and measure the impact it makes, another strand to add the offer of an investment readiness programme. The Inspiring Impact Programme, through Measuring Up and the online market place, would provide the practical impact measurement tools.

The business models that can manage contracts and commissioned work on **payment on results,** will require restructuring of the financial budgets and the cash flow of a business, recognizing the differences to managing cash flows through grants and loan investments.

The Big Lottery Fund has created a framework in conjunction with other organisations to help organisations with measure their impacts. http://www.biglotteryfund.org.uk/research/impact-and-impact-measurement

The methodology for measuring the return on investments will be developed together with expert groups in Member States, through the Social Protection Committee (SPC) and its indicators' sub-group. The agreed methodology is unlikely to be in place before 2014 and the timing would allow new and existing practice within the NI programme to feed into the evidence to be presented to the EU and member state committees. In the UK, The Lottery, The Charity Bank Ltd. and others have researched and produced detailed guidance on how to measure impact with social and economic value.

Work will be undertaken to agree common objectives and common indicators, to show how progress towards these goals can be measured and the common objectives will be translated into national plans to be assessed at EU level.

The EU recognize the need for a mutual learning process and one of the main tools is to use **Peer Review Seminars**, to encourage the dissemination of good practices by assessing the effectiveness of key policies or institutions. This particular tool is seen as effective practice in many arenas and has been used to support local government improving performance, and sharing the practice that works in the improvement of policy and service delivery.

Capacity building - The EU funds are one of the key channels through which the Commission will support the Member States in implementing the Social Investment Package. The priorities for the Funds to support social investment in all four of the ESF's investment priority areas: **promoting employment, investing in education, combatting poverty and enhancing institutional capacity.**

Summary of Opportunities and Key Policies for Social Enterprises in Northern Ireland

2014-2020 DETI

The report provides an overview of EU policy around social enterprise, innovation and finance to scale up businesses in the sector. As a strand of policy within the Barosso Task Force, the report seeks to link headline policy development with the relevant finance mechanisms and the routes to access funding for Northern Ireland.

'The information contained in the paper is ultimately aimed at existing Social Enterprises, however it is clear that the opportunities and initiatives are available for the wider 'third sector'. Thus the voluntary and community sector in Northern Ireland may also benefit from the opportunities listed. This would obviously align with the DSD/DETI Third Sector Mapping Report which highlighted the number of Voluntary & Community sector organisations which wish to develop a social economy model.'

The Social Business Initiative (SBI) identifies 11 measures:

Measures to improve the access to funding for social businesses such as: 1. Developing a European regulatory framework for social investment funds *(December 2011).* 2. Favouring the development of microcredit in Europe, in particular its legal and institutional environment *(from 2014).* 3. Setting up a European financial instrument of €90 million to improve social businesses' access to funding *(operational from 2014).* 4. Introducing an investment priority for social enterprises in the regulations ERDF (European Regional Development Fund) and ESF (European Social Fund), as proposed in the regulatory package on the Structural Funds 2014-2020.
Measures to improve the visibility of social businesses that can be achieved by: 1. Developing a comprehensive map of social enterprises in Europe in order to identify good practices and models which can be reproduced (from 2012). 2. Creating a public database of labels and certifications applicable to social businesses in Europe in order to improve visibility and comparison between them (from 2012). 3. Promoting mutual learning and capacity building of national and regional administrations for putting in place integrated strategies to support social enterprises, especially via the Structural Funds, by means of analysis, sharing of good practice, awareness raising, networking and dissemination (from 2012). 4. Creating a single, multilingual electronic data and exchange platform for social entrepreneurs, incubators and clusters, social investors in order to better advertise and improve access to EU programmes which can support social entrepreneurs (from 2012).
Measures to improve the legal environment of social businesses, such as: 1. Proposing to simplify the regulation on the Statute for a European Co-operative Society; as well as a European Foundation Statute. A study on the situation of mutual societies is

also envisaged (in 2012).

2. Further enhancing the element of quality in awarding contracts in the context of public procurement reform especially in the case of social and health services. Another key element in here would be to ensure that the working conditions for people involved in the production of goods and services can be taken into account, provided that the Treaty principles of non-discrimination, equal treatment and transparency are fully complied with (from 2012).
3. Simplifying the implementation of rules concerning state aid to social and local services that would directly benefit a number of social businesses *(from 2012).*

The measures that are most relevant to the development of the Social Investment Hub are under the heading of *Measures to improve access to funding:*

- Setting up a European financial instrument of €90 million to improve social businesses' access to funding *(operational from 2014).*

Measures to improve visibility of social enterprises:

- Promoting mutual learning and capacity building of national and regional administrations for putting in place integrated strategies to support social enterprises, especially via the Structural Funds, by means of analysis, sharing of good practice, awareness raising, networking and dissemination (from 2012).
- Creating a single, multilingual electronic data and exchange platform for social entrepreneurs, incubators and clusters, social investors in order to better advertise and improve access to EU programmes which can support social entrepreneur(from 2012).

There are other links and roles that could be undertaken by the Hub, through the links to the NI European Regional Forum. The strands of social innovation exchange, the transition strand and the scaling up of social innovation are also areas to discuss with DETI.

The finance and funding would be attached to each of the strands of policy and activity, where the role of the Advisory group and some of the spokes of the Hub would deliver these services there is a route to funding or potential for match funding. There is alignment of EU policy with the role and functions of the Hub.

In addition, the Erasmus + programme through 'knowledge alliances' would be aligned with the role of the Advisory group of the Social Investment Hub, through the Higher Education Institutions and social enterprise sector as key stakeholders. A potential route to lever in finance to the Social Investment Hub model and through the DETI

6.5 Mapping of provision

6.5.1 European

Business innovation hubs are manifold across Europe as in regional innovation funds, venture capital funds, innovation awards and innovation centres, but none of social innovation.

Sweden National social entrepreneurship action plan launched in 2010

It defines the key challenges for social enterprises as being building knowledge, achieving recognition, gaining fair treatment and legitimacy, raising finance in the market, switching from a subsidy to a contract culture, becoming active in labour market policy, supporting new social entrepreneurs and setting up support structures.

The plan makes the following policy recommendations:

- NUTEK should continue to support the sector, via intermediary organisations like the LKUs (branches of Coompanion;)
- social enterprises should be used as an instrument both in labour market policy, complementary to the existing Samhall sheltered workshops, and also in regional policy (fitting in with the Lisbon strategy and the EU Structural Funds);
- a shift should be made from benefits to wages, based on the principles of empowerment, user choice and rehabilitation;
- public procurement should take account of social aspects and the interests of users. for the self-employed (business and employment co-operatives) and social franchising. But as before the key factors are knowledge and recognition for social enterprise."

Germany – **Fraunhofer Institute**, incubators on social change, bringing together the best of outside talent. A growth programme for commercial innovation which is growing through introducing social innovation within the models of incubation. A wide section of people working together, social research, design etc

Germany

Berlin's social business co-working space **Social Impact Lab** is set to expand across Germany and into Austria by the end of 2013. With social entrepreneurship or social business gaining traction internationally, VentureVillage went one-on-one with lab leader and iQ Consult CEO Thorsten Jahnke – who has helped spearhead the movement in the German capital for more than 20 years.

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The Social Impact Lab is as much a co-working space as it is a mentoring service for upcoming entrepreneurs. And they're young. Fresh-faced 20 to 30 years olds populate the lofty 650-square metre floor in Kreuzberg. "We had five emerging startups to begin with. Now we have 40," Jahnke tells us, "many students finishing their studies come in with degrees that I could only dream of and they know it's not a profit-driven industry. These people want to add meaning to their career – money isn't everything."

The project is dually funded by the public and private sector, between the German Federal Ministry and software giant SAP. With large-scale support on board and growing demand, more Social Impact Labs will be up-and-running in Hamburg and Heidelberg this June, as well as Munich, Cologne and Vienna – by the end of next year. "In the past year, awareness in the sector has really changed and there's a real shift." In its biggest sign of support for the industry, the German Federal Ministry set up a new fund under the "social impact localizer" programme in January to help finance social business startups. The boost means the Government will match whatever funds are sought from investors, making social startups a more attractive, and potentially sustainable business option.

Hellenic Investment Fund in Greece – 2012 - 2013

Greek Hellenic social investment partnered with USA as part of the work of the Hellenic diaspora – the focus is to develop entrepreneurs to develop business in Greece. The model could be used and is transferable to social enterprise, involving intensive mentoring.

Entrepreneurship - The Hellenic Entrepreneurship Award launches new businesses through intensive mentorship, business support and seed funding. Managed by the Libra Group, which has committed over €5 million ($6.8 million) to this award, the program selects entrepreneurs based on demonstrated innovation, potential for job creation, financial discipline and social responsibility. The Hellenic Center for Entrepreneurship is a new program designed to foster more – and more successful – entrepreneurs by building the foundational skills critical to creating sustainable businesses.

Spain

The success story of Mondragón, once a humble co-operative that produced paraffin heaters and now the sixth biggest business in the country, is well-known. It's a hopeful story for creating scalable, commercially successful enterprises with a resilience rooted in explicitly social approaches to business.

Less well known is that Spain's co-operative sector now consists of 22,000 cooperatives, providing 1.2m direct and indirect jobs and a total turnover of €60bn according to CEPES, the Spanish Business Confederation of Social Economy.

Despite the crisis, they have managed to unlock significant amounts of money; for example, in Peñafiel in central Castilla, the Cocope co-op raised €9m in 2010 to build a 7,500 m2 care residence, and a not-for-profit co-operative of home owners in Cataluña, Lloc Nou, has already provided homes for 778 members (many of whom are disabled and cannot easily obtain adapted homes otherwise) and is in the process of developing more, having raised €226m in total.

New partnerships

Universities in particular, are collaborating with young entrepreneurs to support several social enterprise initiatives across the country. The Barcelona-based Esade business school has teamed up with BBVA, one of the country's stronger banks, to build the Momentum Project that will provide young innovators with the training and mentorship needed to develop and scale their social businesses.

Telefonica's Wayra acceleration programme for innovative projects now also operates in the UK and Latin America, providing funding and support for concepts like Juntines, an online platform that suggests ideas for parents and children to plan together and strengthen intergenerational solidarity.

Creating the spaces for social innovation

Brittany Koteles, consultant for AshokaU on social entrepreneurship in Spain and part of the candidate team for Hub Barcelona, notes however that it is still challenging for change-makers across all sectors to find the right allies and scale up this emerging movement.

This is why the arrival of a new generation of centres for social innovation is so important in Spain. Just like Hub Islington, which opened in London in 2004 not just to create affordable space as well as peer-to-peer contact for social start-ups, Koteles says that "in Spain, social innovation needs a neutral meeting place that is capable of curating the right connections and collaborations. That's what will give this movement momentum."

But leadership in this domain can also be seen in the work of some regional governments, such as Innovalab, the Basque laboratory for social innovation.

UK	Big Issue Invest
	Social Investment bus in the UK
	3SC – partnership of civil organisations
	Helen Hamlyn research – social innovation, centres of expertise
	Nesta , The Esmee Fairbairn Foundation
	Key fund – support for potential investees
	The Charity Bank Ltd. – investment readiness programmes
	The Foundation for Social Entrepreneurs
	The School for social entrepreneurs
NI Specific	
	A range of is available from a range of providers including:
	Invest NI – Social Entrepreneurship Programme
	UUJ – Advanced Diplomas in Sustainable Investment & Social Enterprise
	NICVA– fundraising for sustainability
	SENI - various
	DTNI – tailored specialist support
	DARD – Investment Readiness via grant/bought services
	Local Councils - various
	UCIT – various

US	Investing in Innovation fund for education
	The race to the top
	Social innovation fund

The key ideas emerging on what works for business, is the support and development of new solutions, using the innovation hub model ass the point of knowledge and expertise. The model can be applied with social investment or social innovation at the heart of the hub. The hub model could create the opportunity to bring all the elements of IRP within one virtual location. A location which would bring together investment readiness expertise, procurement, payment by results, new ideas on social innovation, bringing expertise from funders, private finance sector, public, business networks, leaders and managers of services and delivery organizations.

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Annex 1

UK Programmes

Goldman Sachs 10,000 small business programme

Participants benefit from a full package of support with a strong focus on structured peer learning and the creation of communities of entrepreneurs. Each participant undertakes the programme as a member of a cohort of 25 to 30 entrepreneurs. The core of the programme, undertaken by all participants, is a cycle of 12 modules each focused on a different aspect of business growth. The modules together constitute a coherent and comprehensive curriculum designed specifically for *10,000 Small Businesses* UK. Over the course of the modules every participant develops a Business Growth Plan to guide the growth of their business beyond the programme.

The core programme is supplemented by topical workshops, legal clinics, one-to-one mentoring and other support tailored to participants' needs. The emphasis throughout is on learning that is practically applicable in participants' businesses and on creating an environment of trust to encourage the intensive exchange of ideas and experience between participants. Over time, a unique national community of entrepreneurs has developed that is focused on growth and unified by the shared experience of having participated in *10,000 Small Businesses* UK.

What is partnership learning?

The process of developing and delivering the *10,000 Small Businesses* UK programme and monitoring its impact on participants is enabling the programme partners to understand how it is creating value on a number of different levels. A key outcome from the programme is how powerful and self-sustaining entrepreneurial communities can be and the importance of creating the conditions in which these can form and flourish.

'The inclusion of social enterprises is powerful, complementing all participants' learning. This raises the question as to why business support efforts targeting social enterprises tend to be ring-fenced from the wider business community of which they are part.'

Impetus – The Private Equity Foundation (Impetus – PEF) is different to traditional grant makers. We invest in a whole organisation, rather than isolated projects, and are focused on the long-term impact of the organisation.

Approach

Impetus – PEF is proud to have pioneered venture philanthropy in the UK. This approach, which involves providing ambitious charities with a support package of money, management support and specialist expertise, has proven to be more effective than money alone, helping to turbo-charge our investee charities.

We assign a highly experienced Impetus – PEF investment executive to each organisation we invest in. He/she brings knowledge from both the private and voluntary sectors and works closely with the investee organisation to help it become even more efficient, and transform its social impact.

Proven results

As the Chief Executive of Speaking Up – the first charity we invested in – stated, "Working with Impetus is like putting a turbo-charger on your organisation." We are recognised for our superior monitoring and reporting. [10]

Growth Accelerator – UK business

The GrowthAccelerator works by finding businesses with the highest growth potential, identifying and helping to overcome the barriers they face and providing support under four streams of activity: Access to Finance, Business Development, Growth through Innovation and Leadership and Management.

Why it works

'Success starts with the strongest possible leadership, with clear roles and a focused plan.

So Growth Managers and Growth Coaches focus on working with these leading management teams to further enhance their core skills, providing training where necessary. The service then provides companies with specific solutions to overcome their individual growth barriers so they can realise their big ideas. This approach, matching expert coaches who understand a business' specific challenges and can devise a targeted growth plan for them, is translating into real business growth. The service's network of 110 local Growth Managers and more than 1,000 expert business Growth Coaches consists of experienced businesspeople who have their own proven track record in business success. The credentials of the Growth Accelerator team are crucial, both for inspiring confidence among businesses and to ensure clients benefit from the experience of peers who have 'been there and done it' themselves.'

GrowthAccelerator works by finding businesses with the highest growth potential, identifying and helping to overcome the barriers they face and providing support under four streams of activity: Access to Finance, Business Development, Growth through Innovation and Leadership and Management. To be initially eligible for working with GrowthAccelerator, businesses need to have fewer than 250 employees and a turnover of less than £40million. They are either proactively identified by Growth Managers and Growth Coaches, or assessed for eligibility when they directly contact the service. [11]

Annex 2

European Programmmes

SWEDEN

Sweden National social entrepreneurship action plan launched in 2010

The conference was also the venue for the unveiling of a proposed national action plan for social entrepreneurship entitled *Growth through more and stronger social enterprises*. "This is a living document, that grows as we go along….. It starts with the needs of the most disadvantaged persons, such as ex-drug addicts and ex-prisoners, for whom social enterprises can have spectacular benefits. So it focuses on integration enterprises – what in Britain would be called 'social firms' – rather than the social economy in general, and links this to the goals of the Lisbon strategy.

It defines the key challenges for social enterprises as being building knowledge, achieving recognition, gaining fair treatment and legitimacy, raising finance in the market, switching from a subsidy to a contract culture, becoming active in labour market policy, supporting new social entrepreneurs and setting up support structures.

The plan makes the following policy recommendations:

- NUTEK should continue to support the sector, via intermediary organisations like the LKUs (branches of Coompanion;)
- social enterprises should be used as an instrument both in labour market policy, complementary to the existing Samhall sheltered workshops, and also in regional policy (fitting in with the Lisbon strategy and the EU Structural Funds);
- a shift should be made from benefits to wages, based on the principles of empowerment, user choice and rehabilitation;
- public procurement should take account of social aspects and the interests of users.

If this plan is adopted, it could make for far-reaching changes. But change is already visible, as "There is already an opening for smaller social enterprises. Previously, the government channelled all its support for the work integration of disadvantaged people through one state-owned sheltered enterprise, Samhall, which employs 23,000 people. Now, smaller social enterprises can bid for support, and the grant follows the person (even if, for the time being, the sum is reduced)."

From strength to strength

The coming of round 2 of EQUAL does not mean a disruption in the network's activity: three new development partnerships join the network, but most of the old ones will stay involved. "Legal structures are not what is needed, but quality is a big issue …… so the network will carry on working on social auditing. But there are some new issues too. Topics to be developed are agency or service co-ops for the self-employed (business and employment co-operatives) and social franchising. But as before the key factors are knowledge and recognition for social enterprise."

One of the network's key results is in a stronger national and regional support network for social enterprises. "At the moment, the government supports the local cooperative development agencies, through NUTEK, to the tune of €4 million a year, as well as supporting dedicated agencies for women's and ethnic minority businesses. We hope that they might upgrade this into a more ambitious ten-year programme. EQUAL has helped build the case for a stronger support structure."

The network is the place to be

"The network was set up in 2003 primarily to facilitate internal networking among the development partnerships, but with the aim of forming a National Thematic Group," says Stig Wikström, who is responsible for supervising the network on behalf of the Swedish ESF Council.

The network has become a social actor in its own right." Although social entrepreneurship is a new term in Sweden, the concept of innovation is not. Swedes are innovators, especially strong on the digital market. But what about social innovation?

One of the most important factors to keep in mind when discussing social entrepreneurship in Sweden is that social problems have traditionally been the responsibility of institutions rather than individuals. The Swedish government is strong and its people have traditionally had great trust in its ability to solve the country's most pressing social challenges through policymaking. Therefore many Swedes don't see the need for social entrepreneurship and the concept itself is difficult to comprehend.

But in a rather short period of time Sweden has become increasingly aware of the term social entrepreneurship, realising that it can change systems and societies. This has resulted in an increasing number of social entrepreneurs around the country as well as a continuously improving support structure.

The Swedish government offers financial support to regular entrepreneurial start-up businesses, but this service is still relatively absent when it comes to social entrepreneurs, exposing a real gap in the support market for innovators. One government initiative does provide some support – The Swedish Agency for Economic and Regional Growth (Tillväxtverket). They run an initiative offering support to a number of selected social enterprises. Last autumn, 29 social enterprises with a total budget of around £880,000 were selected from a total number of 138 applicants.

Social entrepreneurship is on the rise in Sweden . Several universities around the country have recently launched programs with specialisations in social entrepreneurship and entrepreneurship, as they have seen a growing demand for this kind of education from students. Some municipalities are looking into how they can make it easier for social entrepreneurs to collaborate and create public-private-partnerships. An early such initiative has been reported in Innovators of Society.

GERMANY

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In 1997, when Jahnke helped set-up iQ Consult – a microfinance company and support network for budding social entrepreneurs, the term "social business" or "social enterprise" didn't exist, until recently. The terms mean combining a profit-making model with social values. Prime Berlin examples include fundraising-project marketplace Betterplace.org and "good deed a day" website Doonited.

"Social business is a very new concept, but it can offer people a more fulfilling career. Many people – bored with traditional, corporate careers like in banks and finance, are now combining their business expertise with a social value," Janke says. Toward the end of the 90's, conditions were financially poor to start a business, "so to help give others a chance of successfully starting-up, we began iQ Consult through GLS Bank," he says. It wasn't until 2008 that the iQ Consult team learned that what they were doing was a social enterprise and a growing movement at that. "That's when we decided to set up the Social Impact Lab," Jahnke says.

The Social Impact Lab is as much a co-working space as it is a mentoring service for upcoming entrepreneurs. And they're young. Fresh-faced 20 to 30 years olds populate the lofty 650-square metre floor in Kreuzberg. "We had five emerging startups to begin with. Now we have 40," Jahnke tells us, "many students finishing their studies come in with degrees that I could only dream of and they know it's not a profit-driven industry. These people want to add meaning to their career – money isn't everything."

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"There's some really great, creative ideas coming out of this lab," Jahnke says eagerly. One resident startup Photocircle.net is a marketplace for photographers to sell their snaps and for people to purchase and print them. Photocircle.net then puts a portion of the money back into the region the photo was taken, ultimately benefiting developing countries. Other startup ideas are simply witty, "there's one that has made an alarm-clock app, where, everytime you hit the 'snooze' button – you've made an automatic donation to a charity of your choice!" he says.

Social enterprise startups – onwards and upwards?

"I believe that the corporate and charity world will become closer. It's becoming old-fashioned to not consider social demands in big businesses. Here in Germany, people are becoming more sensitive to social affairs and standards. But it's got a bit of catching up to do in terms of where the UK is at," Jahnke says. But will the idealism be enough to propel entrepreneurs into sustaining a social business in the long haul? "I don't know where it's headed, but I *do know* that society is more interested in a real value economy. There's a bigger future for social entrepreneurs if the industry continues to head in this direction. Hopefully the idealism will keep them going."

GREECE

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Hellenic Investment Fund in Greece – 2012 - 2013

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SPAIN

Few people know that there is also a flip side: new forms of social innovation and a range of social approaches to business are to taking root in Spain's economic and political fissures. As the bankruptcy of the country's previous growth model is becoming more painfully obvious by the day, tuning in to these emergent trends may well hold the key to a more hopeful story.

The success story of Mondragón, once a humble co-operative that produced paraffin heaters and now the sixth biggest business in the country, is well-known. It's a hopeful story for creating scalable, commercially successful enterprises with a resilience rooted in explicitly social approaches to business.

Less well known is that Spain's co-operative sector now consists of 22,000 cooperatives, providing 1.2m direct and indirect jobs and a total turnover of €60bn according to CEPES, the Spanish Business Confederation of Social Economy.

A recent article in El Pais quoted Spain's Ministry of Employment as saying that from January to March 2013 a total of 223 businesses of this type were created.

Many of these are picking up where the state is retreating, like the case of Aquasport. This sports centre and swimming pool in Gerena (Seville province), was built when the going was good but stood mostly empty due to the lack of public funds. This led four locals to start a co-operative which successfully tendered to run the building and they are making it work, not just as a sports centre but also for festivities, dance classes and other community initiatives.

Despite the crisis, they have managed to unlock significant amounts of money; for example, in Peñafiel in central Castilla, the Cocope co-op raised €9m in 2010 to build a 7,500 m2 care residence, and a not-for-profit co-operative of home owners in Cataluña, Lloc Nou, has already provided homes for 778 members (many of whom are disabled and cannot easily obtain adapted homes otherwise) and is in the process of developing more, having raised €226m in total.

Since the transition to democracy, legislative support for the social economy has been enshrined in the Spanish Constitution, which states that public authorities "shall efficiently promote the various forms of participation in the enterprise and shall encourage co-operative societies by means of appropriate legislation".

New partnerships

Universities in particular, are collaborating with young entrepreneurs to support several social enterprise initiatives across the country. The Barcelona-based Esade business school has teamed up with BBVA, one of the country's stronger banks, to build the Momentum Project that will provide young innovators with the training and mentorship needed to develop and scale their social businesses.

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MIT's journal, the Technology Review, has for a second year running awarded 10 young Spanish innovators for their distinguished achievements in technology and business. One of their awarded projects with significant potential for social impact is the work of Juan Moreno, who is developing cutting edge systems of neural rehabilitation for persons with reduced mobility to address a key concern, as brain injuries is the most common cause of death for women.

Some innovators have drawn social concepts from abroad, like Actuable.org that was bought last year by Change.org and Goteo.org, the Spanish version of crowdfunding platforms. In other words, unlike the dominant narrative of a country licking its wounds or losing its brightest young people through emigration, Spain's most energetic entrepreneurs and companies are building the right partnerships for social innovation.

However, Dr Igor Calzada, in his chapter featured in the International Handbook for Social Innovation on Mondragón, advises innovators in Spain to reflect a homegrown approach to social entrepreneurship that steers away from individualist forms imported from abroad and to tend more towards community-inspired approaches as that taken by Mondragón when it was originally established.

Creating the spaces for social innovation

Brittany Koteles, consultant for AshokaU on social entrepreneurship in Spain and part of the candidate team for Hub Barcelona, notes however that it is still challenging for change-makers across all sectors to find the right allies and scale up this emerging movement.

This is why the arrival of a new generation of centres for social innovation is so important in Spain. Just like Hub Islington, which opened in London in 2004 not just to create affordable space as well as peer-to-peer contact for social start-ups, Koteles says that "in Spain, social innovation needs a neutral meeting place that is capable of curating the right connections and collaborations. That's what will give this movement momentum."

But leadership in this domain can also be seen in the work of some regional governments, such as Innovalab, the Basque laboratory for social innovation.

France.

The first time a programme has been run to support community based social entrepreneurs (POSTPONED TO 2014 Paris residential 1-3 September 2014).

Social Enterprise Europe have been working with the Education & Solidarity Network and the French education mutual MGEN (Mutuelle Générale de l'Education Nationale) to create an opportunity for community leaders to gain a profound understanding of how to develop successful social enterprise to animate their local communities and address the key problems they face.

We are bringing together a group of 20 people from at least 10 countries, around the world. The only qualifications are an ability to work in English and a passion to help your community shape its own future through its own enterprise. The programme consists of 3 elements:

1. A preparatory phase from late October 2013 during which you will use online tools to gain an overview of how communities throughout the world are using business models to solve social and environmental problems. During this online phase you will also introduce yourself and your proposed project to the other programme participants, and learn about them and their project.
2. A 3-day training conference in Paris, 25th-27th November 2013. You will never again learn so much in 3 days. The first 2 days will be a residential training conference on practical social enterprise development skills and techniques; the third an open day in the centre of Paris, where you will meet and present your project to other social entrepreneurs and potential supporters.
3. From then on you will be part of the online community of developers that will help you implement your project. This will include mutual support from other participants, online one-to-one mentoring from the programme leaders, and access to further training and development resources, including funding and other useful contacts, as required.

We intend to run this programme at least once every year, so the online community of developers will continue to grow. Applicants unsuccessful this year may be offered a place in 2015. The cost is 2,000€, but the first 10 places available for 900€. The price includes:

- membership of the community of developers
- online training programme
- online mentoring
- participation, accommodation (4 nights), meals and transfers for the Paris training days

ANNEX C: POLICYMAKERS AND STAKEHOLDERS INTERVIEWS

In order to provide anonymity to interviewees, the following are the key messages from the interviews:-

- Board capacity a key issue

  All interviewees expressed the same views on Board development. Some see the development and professionalization of Board as a must if the culture is going to change. Boards need to go through an 'education process' first - to learn about the implications of going along the SI route. Training and mentoring for Boards/Committees essential – tend to be risk averse. Grant culture has been around a long time and change can be difficult. Need expertise on Boards and people sitting with them building capability

- Enterprising ideas

  The sector needs a culture change – professionalism - more decision making based on logic/reasoning and less on emotion. 'Feasibility support' needed – what should we be doing, why, how, is it feasible? Organisations need learn to decide not to proceed with something as much as deciding to proceed. 'Enterprise ready' is an integral part and in some ways goes before 'investment ready' . Real need for a more enterprising and sustainable 3rd sector. Real need for sector to diversify funding and trading. 'Ownership' by the organisation of its own development is the key – too many organisations bring in external support without taking ownership of the issue being addressed eg business plan is written by an 'external' resource and is never understood/internalised/owned by the organisation. The balance between social purpose (practitioner interested in social outcomes) and organisational development ('professional 'addressing organisational resilience and sustainability) needs to be improved

- Phased support

  A popular view with the majority of the interviewees. Support needs to be phased – from generic through to 'detailed' / tailored. Key to development is 'working with' organisations to develop 'tailored' solutions.

- Joined up support

Huge problem with duplication of support. Needs to be easy to access for VCSEs. Support needs to be 'joined up' – funders / government / intermediaries need to work together. Many recognise the difficulty in getting multiple funders and government departments to work together but agreed must be attempted |Making the programme simple and a benefit to everyone may alleviate some of the potential difficulties.

- Various means of support

  A majority of interviewees were supportive on an online diagnostic tool to be complemented by telephone support and face-to-face albeit the latter must be in exceptional cases.

- Support to choose the finance

  Brokerage service useful – must be by person – not online tool. May be regulatory implications. Must be independent. Particularly useful in early stage. Investor/intermediary offerings need to improve

- Bringing people together

  Online ideas board useful (Bethnal Green Ventures). Could be done physically – bring people together and they will learn more from each other. Links to peer-to-peer support. Much more effective.

- Social finance – lender minimum limits (typically £50k) a barrier – need supply of small loans around £5k. Mixed grant loan product needed. People are not closed to Social Investment – the issue is more that the market just doesn't work. SI market needs to mature and become the obvious. Case studies need to be disseminated. Need road shows to raise awareness. Very keen on product innovation – grant/loan hybrid. Chicken/egg – strengthen demand side and supply side will come in when they see the opportunities. Supply side needs to broaden its product range

- Collaboration by funders/government departments

  Current support too fragmented/bitsy. Drive has to come from Government too. Department of Finance and Personnel needs to lead – create more co-ordinated approach to culture change and support infrastructure. Get DFP buy in – DSD / DTNI model is a good one to use – policy makers link with delivery partner – no confusion – single go to point – organisations know 'this is where you go' (Community Asset Transfer – go to DTNI – end of story). Look at same model for IRP.

- Collaboration by organisations

  Different organisations seem to be doing different things – little ‘joining up’ happening. Working in silo, refuse to acknowledge the use of partnership working. Commissioners and funders can play a part to encourage.

- Reduction of grant

  Funding pot expected to reduce year on year. According to interviewees, departments are being asked more and more to give loans rather than grants. VCSEs need to diversify funding base. We (NI) have had it easy – generous grants, IR support needed to get ready for changing times. Difficulty – get majority to accept the world is changing (change the perception that something in the form of a grant will always come along to save the day). Should be an open door to Minister (Simon Hamilton) – he is very keen on reform /change/doing things differently

- New programme

  Need to establish clearly visible, loud, instantly recognisable ‘presence’/platform, relevant to today’s circumstances, which provides a sound base from which to develop. Any programme must be practical / hands on and would need to be procured / commissioned. DTNI model looking good – practical support delivered by specialists. DSD provides funding and tells delivery partner to ‘do it as you see fit’. Need more integration, scale and new products in SI/IR arena. ‘More’ and ‘different’ still need done even if a hard sell. ‘Pre investment’ / early stage work needs done. Incentives for change – possibly subsidised rates on loan products (eg rates subsidised by grant makers). Concerns about piecemeal approach