

Finance and associated support for Voluntary Community and Social Enterprise development support

This paper will explore the development advice currently available to the voluntary, community and social enterprise (VCSE) sector at the time of writing (April 2015) and how it is funded. This list is ever-changing and should not be taken as comprehensive.

The context

Whereas in the past there has been significant funding available to the VCSE sector to fund revenue or capital costs, with a few exceptions, the VCSE support environment is now much more focussed on funding capacity building and business support in order to facilitate the creation of “investment ready” sustainable trading enterprises independent of grant funding.

Sources of support for social enterprise development

The main sources of VCSE support (England only) are listed below:

Awards for All

A long standing Big Lottery small grants fund available to VCSE sector. Traditional style grant of up to £10K (£5K in Wales). Long lead in time (3 months). Versions also available in Scotland, NI and Wales.

Can be used for revenue costs and feasibility work.

<https://www.biglotteryfund.org.uk/funding/Awards-For-All>

Access Foundation

Very new £105M BSC fund to address “the missing middle”. A blended package of grant and loan funding. Similar schemes have been run by Keyfund which effectively result in a grant equivalent to the interest on the loan.

Currently soft-launched in listening mode with little information available as yet:

http://www.civilsociety.co.uk/finance/news/content/18995/100m_access_foundation_outlines_plans_to_fund_growth_of_social_investment?topic=&print=1M

Community Economic Development Programme

Just announced and opening on the 1st April 2015, the Community Economic Development (CED) programme is a new DCLG initiative designed for local community groups and organisations in England who want to take a lead in shaping their economies for the benefit of local communities.

“If you belong to a community that wants to work towards seeing real economic change in your area – whether this is in food, housing, finance, energy or any other local economic opportunities – then the CED programme will set you on the right path.

The programme provides specialist support, advice and grant funding to help residents, local business and public sector organisations to work together to develop the best ideas to strengthen the local economy.”

The programme will work with 50 communities, allocating them an advisor (I have applied to be one of them) to develop a local economic plan. This doesn't look like it has to cover the whole local economy and could just cover an aspect of it – for example a marketing consortium of local farms or a housing development. Then £5K of funding and 6 days of specialist support will be available to develop the plan.

The programme is being delivered by a partnership that includes Cooperatives UK, New Economics Foundation, Locality, Community Development Foundation and the Community Development Finance Association.

Open for applications until 8th May 2015.

Power to Change (P2C)

£150M Big Lottery endowment into the Power to Change Trust. Specifically aimed at start-up "Community Businesses". Currently in early pilot phase operated by partnership of Locality (lead partner), Plunkett Foundation and UnLtd.

At the moment they are working with a few enterprises and taking applications from all and sundry.

Another interesting feature of the programme is that there will be rapid monthly turn round of funding decisions implemented by regional grant panels. This is particularly good compared to previous Big Lottery funding which often kept enterprises sitting on the starting blocks waiting for a decision.

There will be 5 strands of support:

1. Inspire – events to inspire communities around community enterprise.
2. Inception – funding for start-up enterprise. Funds providers from an approved list (c.f Big Potential) to provide comprehensive one-to-one support. Enterprises can insist on provision by providers not on the approved list.
3. Community Business Fund - "the missing middle". Capital injection into enterprises. Two routes:
 - ⑩ Brokerage of existing funds
 - ⑩ Direct funding
4. Place-based funding for projects looking to shape their local economy through existing enterprises.
5. Research Institute – monitoring and data crunching around community enterprise supported to provide data as resource and also to share the learning between enterprises.

Further information: <http://www.thepowertochange.org.uk/>

Stop press. Will be open for applications for 50 initial projects in April/May 2015.

Big Potential

- ⑩ Support for existing social enterprises to grow through investment.
- ⑩ Pays for advisor time and some enterprise time.
- ⑩ Enterprise advisors only from a list of approved providers.
- ⑩ Will also fund specialist advisors not on approved list (25% of award)
- ⑩ Two strands:

1. Big Potential Breakthrough – providing support and grants to organisations who have not used investment before and are looking to raise up to £500k of repayable capital (the existing programme).

- ⑩ Can provide up to £70K of support in two stages (£30K to develop business to investment readiness (or show that investment not possible) and a further £40K to develop investment product – share offer etc.).
- ⑩ For existing enterprises (Not start-up) seeking up to £500K investment

2. Big Potential Advanced – providing grants for more established organisations looking to raise in excess of £500k of investment or win contracts worth in excess of £1m (the new stream).

- ⑩ Works as breakthrough.
 - ⑩ Replaces Investment Contract Readiness Fund.
- Further information: <http://www.bigpotential.org.uk/about-big-potential>

Village SOS

Second iteration of this support programme. Offers peer to peer mentoring and supported action planning to projects and organisations in rural communities of less than 10,000 population. Support provided by approved partners and existing enterprise. May be useful for pre-feasibility work. UK wide.

In common with many new support programmes, it requires you to become a member of their network.

Further information: <http://villagesos.org.uk/>

Local funds

For example the Keyfund a CDFI working in Yorkshire and Humber. <http://thekeyfund.co.uk/>

Calderdale has the Yorkshire Philanthropy Fund <http://www.cffc.co.uk/portfolio/yvp/> and Social Impact Fund <http://www.cffc.co.uk/portfolio/loans/> which can both be used for development finance.

Sector specific funds

For example Growing Together – providing funding for development support to community growing enterprises. <https://www.farmgarden.org.uk/partnerships/1017-growing-together>

Philanthropic Funds

For example Esmee Fairbairn which is currently funding several cutting edge sustainable agricultural enterprises. Their new funding strategy is particularly interested in innovative and entrepreneurial solutions. <http://esmeefairbairn.org.uk/who-we-are/strategic-plan/>

Whilst offering traditional grant style funding, there is also a great investment and/or underwriting opportunity for these funds, allowing them to invest their capital for social change as well as using their endowment profits.

How enterprises currently engage with this development support environment

There are various ways that social enterprises interact with this environment:

1. The social enterprise discovers the development support available and engages directly with it.
2. The social enterprise discovers a support organisation for their particular sector (eg rural enterprise, pubs, community energy). They contact the organisation and are directly supported and/or signposted to support.
3. The social enterprise discover a similar enterprise to them. They contact the enterprise and are directly supported or signposted to support.

Almost without exception the social enterprises are not in a position to pay for support and so it is funded in the following ways:

1. They work with a support organisation, which receives generic funding to provide the support (for example Plunkett Foundation in Making Local Food Work).
2. They approach a fund/investor directly, who provide development support to allow the enterprise to access their financial “products”.
3. The support organisation delivers some limited support pro bono.
4. The support organisation immediately signposts to a source of development finance (eg Big Potential) and possibly supports the organisation if they are successful in drawing down finance.
5. The support organisation delivers some support pro bono and also supports the enterprise to apply for and draw down funding to pay for their continued support (for example Big Potential and the currently suspended Co-operative Enterprise Hub).
6. The support organisation delivers support and recovers their costs from any future investment (investment of time).
7. The support organisation delivers support completely pro bono. This is often the case where there is insufficient time to draw down funding or the amount of support needed is small.