



NBEI-EDT North Working Paper

**Policy Implications of the North
Belfast Ethical Investment
programme**

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**DELIVERING SOCIAL CHANGE
THROUGH THE SOCIAL INVESTMENT FUND**

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1 The social enterprise sector in Northern Ireland

The social enterprise sector in Northern Ireland is comparatively underdeveloped with respect to what has been implemented and achieved in other parts of the UK, especially in Scotland. At an institutional level, the development of Northern Ireland's social economy has for sometime been inhibited by the absence of potentially useful policy instruments such as a social value act or a more robust and empowering community asset transfer framework. Despite this comparatively weak regulatory environment, there are some stakeholders and policy interventions which have over time helped to develop a better support infrastructure for Northern Ireland's social economy. Before outlining the different components of the North Belfast Ethical Investment programme and the support it has offered to social enterprises over the last 2 years, Figure 1 provides a summary of the different stakeholders and policy interventions that have aimed to develop and grow the social enterprise sector in Northern Ireland. Some of these intervention such as the HUB are no longer in existence but have been listed as some social enterprises have benefited from their support.

Figure 1 Social enterprise policy interventions in Northern Ireland

Intervention	Description of the policy intervention or organisation
Social Enterprise NI	Social enterprise NI (SENI) represents a member based organisation that provides a platform and voice for social enterprises and entrepreneurs working across the social economy in Northern Ireland. The aim of the organisation is to connect, develop and sustain businesses that are driven by the need to create social change. Although SENI is unable to provide the sector or individual social businesses with capital or revenue investment, it works hard with other stakeholders to celebrate achievements and highlight best practice from the sector through its annual calendar of member events, conferences and awards. It also performs a signposting role which connects social enterprises to services, skill-sets or support pathways that may be relevant to an individual organisations business or charitable needs. Finally, SENI is also taking a lead role in the broader lobby to implement a Northern Irish social value act and has recently commissioned a sector wide survey which aims to better understand the scale and scope of social enterprise activity across Northern Ireland.
Development Trusts NI	Development Trusts NI (DTNI) are an organisation that aims to support community groups or organisations explore and realise the benefits of an asset based approach to development. In addition to an annual programme of events which includes a conference and seminar programme, DTNI also works in an advocacy capacity and offers a bespoke advisory service that works with organisations on a project by project basis. Much of DTNI's work is underpinned by IREAD (Investment Readiness Assessment Diagnostic). This is a resource that is used to assess an organisations capacity to engage in development work and provides a skills baseline for the organisation to develop if it seeks to lever in further investment to its work or project. DTNI have a close working relationship with another similar organisation called Locality, and together with Development Trusts Scotland and Wales, there is now a UK wide network of over 450 members. Like SENI, DTNI work hard to share learning and practice but are also constrained in that they are unable to provide any direct financial support or investment to organisations working across the sector.
Northern Ireland Housing Executive Social Investments Fund	In September 2015 the Northern Ireland Housing Executive introduced a programme that provided seed investment to support individuals or established groups operating in NIHE estates improve local service delivery. The programme welcomes applications twice per year and to date has supported various social enterprise projects that have included

The Social Enterprise (SE) Hub programme

the delivery of community based property or garden maintenance services, local food outlets, child care provision and youth activities as well as groups that provide services for older people and the disabled. Similarly to NBEI, the NIHE's social investment fund provides restricted funding that can be used to recruit employees, purchase equipment and help scale the social enterprise to a level so that it can deliver services that are relevant to the needs of NIHE communities located across North Ireland.

Operating from 2014 to 2017, the Social Enterprise (SE) Hub programme was designed to tackle poverty and reduce social exclusion by promoting the development of community based social enterprise. In total there were 11 hubs opened across Northern Ireland (4 in Belfast) and each hub aimed to provide support to a range of initiatives such as local regeneration projects, community services and new social businesses. The type of support offered by the hub programme varied from an organised training programme consisting of directed support across relatively generic business development areas such as financial management, marketing and sales to more bespoke support which involved one to one engagement with a business mentor. In addition to this free mentoring the HUBs also provided potential shop front retail space, hot desking facilities, access to conference/meeting rooms, training suites and general workspace from where the businesses who engaged could operate on a 'test trading' basis. However as with DTNI and SENI, the Hubs were unable to provide any seed investment to help capitalise the development of the social enterprises. Despite this lack of investment capacity, the North Belfast Social Enterprise Hub was highly relevant to the delivery of the North Belfast Ethical Investment programme. The the two initiatives worked closely together in an attempt to identify potentially viable projects that could be scaled to create sustainable social and economic impact in the long term.

At an institutional level, the social economy is also represented by an all party working group which includes representation from multiple statutory government department and agencies such as the Department for Communities (DfC), Department for the Economy (DfE) and the Housing Executive. Ultimately it is the Department for the Economy that leads on the development of social economy policy for Northern Ireland and in recent years has worked to support the sector and demonstrate the unique contribution it can make to the economy. In addition to commissioning a state of the sector report in 2013, the DfE have worked closely with Social Enterprise NI to delivery initiatives like the Social Economy Work programme (SEWP). This represented a three year programme that has, like the North Belfast Ethical Investment programme aimed to contribute to the growth of a sustainable social enterprise sector.

2 What was the NBEI programme?

The North Belfast Ethical Investment programme was a SIF (Social Investment Fund) revenue project that has aimed to develop and diversify the social economy in North Belfast. To realise this aim, the programme provided investment, technical assistance and advice to social enterprise projects that were looking to acquire a new asset, redevelop an existing one or develop a new social business idea operating out of North Belfast. Moving forward it was hoped that such asset focussed investment would weaken community based social enterprise's traditional reliance on grant aid and help them move towards ad developing a more sustainable business model that was more underpinned by generating commercial sales. These sales could have been made through selling a product or a particular service or by making better use of an existing built asset to generate income though a commercial rent or room/venue hire. The NBEI programme was delivered by a team that included representation from the sole funder (The Executive Office), the Strategic Investment Board

the Department for the Economy, the lead partner: Ashton Community Trust and the delivery partner EDT North which was managed by representatives from Queen's University Belfast and LEDCOM. The governance arrangement of the programme was unique in that it represented a diverse mix of skills from individuals or organisations that had accrued experience in both the conceptual development and practical delivery of asset based social enterprise activity. Figure 1 in the previous section already demonstrated the valued contribution of the North Belfast Social Enterprise Hub and how it helped the NBEI programme to identify social enterprise projects that were scalable, demonstrated a high amount of existing or potential social impact and were working towards developing a more sustainable business model. The different projects that successfully applied and eventually received support from the programme were categorised by using a Level system which is explained in the diagram below:

Unlike some of the other social economy interventions that were outlined in Figure 1 the NBEI programme was able to provide participants with **investment** support to cover any technical support or business support costs associated with the development of their project. The table below demonstrates how the funding for the programme was restricted to cover **revenue costs only** but also highlights how the type of support was wide ranging and very much focussed around acquiring or making better use of a built asset as well as developing a new social business idea. Other examples of support such as a salary for a dedicated business manager or an appointed business mentor helped the participating projects to think beyond the short term and how they could actually manage and deliver a sustainable and high impact social enterprise project.

Figure 2 NBEI programme delivery output

Technical assistance services	Business support services	Research services
<ul style="list-style-type: none"> • Architectural drawings • Planning applications • Building conditions surveys • Legal support • Rent review • Landscape architecture • Economic appraisal • Feasibility studies • Ground surveys • Market research • Public consultations 	<ul style="list-style-type: none"> • Business plan • Salaried business development manager • One to one business mentoring from a consultant with project or sectoral experience in a relevant area • Marketing resources • Overheads linked to project delivery and administration • Training and skills budget 	<ul style="list-style-type: none"> • OBA monitoring, data collection, analysis and dissemination • Additional market research, especially to aid with level 3 delivery • Study trip co-ordination and delivery • NBEI research studentships for MSc • Working paper series

In addition to individual project support the NBEI programme team also hosted a number of programme wide training opportunities that focussed on developing skills in certain areas such as project management as well as digital sales and marketing. The NBEI programme was also unique in that it had a dedicated research element which was used to monitor and communicate delivery outcomes and impact as they unfolded via an OBA scorecard and dashboard. This research element also helped to conduct additional market research as and when the programme required, identify best practice, organise study trips, facilitate 5 university research studentships and produced 7 working papers (including this one) to help share the outcomes and learning experiences of the programme to the broader sector.

3 What does the NBEI programme do for policy?

Social enterprises, especially when developed around a tangible asset can deliver a range of policy outcomes and it is argued by the delivery team of the North Belfast Ethical Investment

programme that they could also do more. Especially if there were more of them; if they were better sustained; and if they reached a scale required to offer integrated services that is able to meet local need and demand. These policy outcomes are wide ranging and have been collected via a combination of desk based research as well as the learning outcomes from programme delivery:

- Area based regeneration, especially in spatially deprived communities like North Belfast where market failure means that the private sector is weak, commercial businesses are difficult to attract and foreign investment is difficult to leverage. The social economy is often one of the few sources of employment, training and service delivery in disadvantaged neighbourhoods that offer jobs which are relevant to local skill sets and education levels.
- They also build social capital and local solidarity and some of the initiatives such as Time Banks extend the concept of self-reliance and resilience, especially in the context of public spending cuts and pressure on services;
- Social enterprises contribute to environmental renewal and physical regeneration by removing blight, bringing derelict buildings back to productive use and protecting valuable heritage properties in the long term;
- They also develop the environment as an asset, as exemplified by energy schemes that have used community shares to finance development and return investment to the local community;
- The sector has also delivered a range of health, social care and housing services to hard to reach groups often missed in mainstream programmes. As health and social care is being reformed and more people are supported to stay at home, community-based services that are viable and accessible will become increasingly important.
- The social economy can also access forms of finance which the private and public sectors cannot access, although this capacity needs to be developed as there are very few examples of best-practice in this area, especially in Northern Ireland.

The economy in Northern Ireland is restructuring in significant ways, reflected in the growth of the knowledge economy and the need to up-skill the labour market. Despite the prominence of the public sector, the economy has become more open, globalised, technology centred and service orientated. Oxford Economics (2009) show that the highly skilled proportion of the workforce is forecast to rise to 43% in 2020 from 28% in 2005 (that is at National Qualification Framework [NQF] level 4-8, university degree and above). Conversely, the proportion of the workforce with low qualifications will fall from 29% in 2005 to 16% in 2020. There are two significant issues here for the most excluded: a skills mismatch; and a spatial mismatch. In the first, the most disadvantaged communities tend to have a concentration of young people (and others) who lack the skills increasingly demanded by the labour market; and in the second, the *new* economy is not attracted to the poorest neighbourhoods. In Belfast for example, four Major Employment Locations in Titanic Quarter, Purdysburn, Mallusk and Blaris will strongly influence the reorganisation of the spatial economy as well as traditional knowledge intensive sectors in south Belfast and around the Central Business District.

In this economic realignment, the most excluded people and places will be increasingly left behind. It is interesting that religious residential integration has increased in Belfast, particularly in the south of the city, at the same time as interfacing, violence and poverty has increased in the inner north, west and east. This twin-speed city presents a challenge for

places that cannot connect to the new economy and part of the rationale of the social economy is that performs precisely that task. Some of the case studies profiled in more detail in Figure X show that where community based social enterprises reach scale, they provide underserved communities with appropriate jobs, income and access to the labour market as well as the capital to change the social, physical and economic life of their areas.

Figure 3 NBEI supported social enterprise projects



Clifton House Heritage Centre was a Level 2 project that received support from the NBEI programme to help develop their built asset into profitable social enterprise. The project focussed on marketing the asset (Clifton House) as an events venue and also looked to promote tourist-based uses linked to the heritage of the house and its historic past. The project received a varied package of investment support which included the salary for a business development manager post, a business plan, a marketing budget as well as further support to develop an accredited blue badge course which provided training opportunities for young people in interested in pursuing a career in tourism or hospitality. Post NBEI, the project continues to move forward and in addition to generating significant sales revenues it has also managed to lever investment from its own board as well as other major funders such as the Heritage Lottery. As well as capital investment into Clifton House’s archives, the funding from the latter has also allowed for the formation of a small cluster that are responsible for strategically planning for the future development and sustainability of other historic built assets located across the inner North Belfast area.



The HUBB resource centre was another Level 2 project that received support from the NBEI programme to develop new social business lines that were in line with local need. With NBEI support, the project created an after schools childcare facility called the Mariners as well as a recruitment agency which supported local people find appropriate trade based and embroidery related employment in North Belfast’s new film studios. It also developed a small batch of training courses which aim to engage with, educate and up-skill hard to reach individuals (especially young males) from the local PUL community. Social impact from the project has thus been created through the provision of relevant training and employment opportunities but again like Clifton House the HUBB’s appointed development manager was highly effective at leveraging investment from external funders. In addition to the sales made from its childcare and recruitment businesses, this fresh injection of grant aid is helping to scale up HUBB services and contributing to physical, economic and social renewal across the Shore Road area of North Belfast.



Upright Housing was a Level 3 NBEI project that was developed as a start up with support and additional capital investment from Ashton Community Trust. The Upright project acquired residential properties, refurbished them and now provides affordable accommodation to help meet the growing local housing need in north Belfast. Long term Upright Housing will generate sales through the rental income but also through the acquisition of property management contracts on existing residential complexes. This includes a mixed use development with an affordable housing component located on a former local interface area.

Replicating and scaling some of the successes of the North Belfast Ethical Investment programme as a model for social enterprise development should be an important policy priority for the public sector and the politicians who represent these constituencies.

4 Asset based social enterprise development?

The table below draws on empirical evidence and learning experiences from the North Belfast Ethical Investment Programme to highlight some of the critical success factors in social enterprises and the policy levers that might make them more efficient. These were compiled through a combination of desk based research and by spending time in the company of

Figure 4 Critical success factors of the North Belfast Ethical Investment programme

Factor	Components of effectiveness	Illustration
Leadership	<ul style="list-style-type: none"> • A charismatic social entrepreneur at all stages of business development cycle; • A dedicated team of project staff that are organised and able to create legitimacy within the broader community in which the social enterprise project operates • Strong capacities in participatory practices and staying close to the original community of interest; • Collaborative work capable of bringing together a range of stakeholders to make change happen; and • Effective at developing interdisciplinary teams. 	<p><i>The enterprises examined in the case studies were led by effective and inspiring leaders. They displayed particular traits in management, marketing, collaborative working and seeking new products, services and facilities to sustain their business.</i></p>
Skills and robust systems	<ul style="list-style-type: none"> • Finance and investment readiness skills at the core of effective organisational performance; • Contract bidding and procurement management; • Effective monitoring and evaluation on both economic and social performance; • Systems of financial management and control and reporting to the Board; and • Creating effective Boards with a mix of skills and expertise from the public, private and voluntary sectors. 	<p><i>NBEI has strengthened organisations particularly in the area of financial skills and developed stronger business alliances via Orien to enable them to compete for larger contracts. We have used SROI methods and 3LM to demonstrate the financial leverage of their social programmes.</i></p>
A capacity to innovate	<ul style="list-style-type: none"> • A priority given to knowledge and researching opportunities; • Good understanding of emerging and declining markets; • Understand and value risk and encourages managers, staff and Board members to reflect and think through new products or services; • Creativity and being at the front of initiatives such as impact measurement, social finance and pilot testing new concepts; and • The development of spin out companies and business lines. 	<p><i>ACT a FABLAB to develop digital fabrication and a training and educational resource.</i></p>
Financial management	<ul style="list-style-type: none"> • A capacity to access and manage grant aid and loan support; • Good financial discipline and a particular focus on cash flow and the need build 	<p><i>Community shares have been used to develop ACT and provide the seed investment required to scale the social</i></p>

	<ul style="list-style-type: none"> reserves; • Prepared to be innovative with new forms of finance such as community shares; and • Developing the right structures to monitor and report performance and identify risks. 	<p><i>enterprise into an organisation that now has an annual turnover in excess of £7 million.</i></p>
Relevance	<ul style="list-style-type: none"> • Clear and shared social objectives that inform decision making; • A close relationship with beneficiaries and the target community in order to establish organisational legitimacy and trust; • Effective relationships and reputation with public sector bodies and statutory agencies like the NI Housing Executive; • Offers services, products and facilities that people need and will pay for; • Effective at communicating impact to stakeholders; and • An eye for publicity and showcasing impact at public events. 	<p><i>Organisations have diversified their business but maintained a close connection with their expertise in environmental management. A number of organisations have local residents on the Board whilst others formally sound out attitudes using a range of techniques such as appreciative inquiry.</i></p>
Strategic stability	<ul style="list-style-type: none"> • Develop the organisation from growth through to maturity in stable ways and not too quickly; • A capacity to diversify into new markets, products and services; • An ability to accumulate assets as collateral; • More mature organisations have developed strategic alliances and hybrid forms of mixed charitable/privately owned business models; • Ultimately, a capacity to reach scale in employees, turnover and service areas; • Awareness of competition within and between sectors and the need for collaboration and • A capacity to adjust to or absorb shocks such as cuts in funding lines. 	<p><i>Leading social enterprises are well established organisations that have taken time to mature and develop a portfolio of activities. Examples here of development through the business cycle and the importance of assets in financial planning and sustainability.</i></p>

It shows that leadership is critical although there are issues about succession planning, particularly where an organisation is driven by a lone, charismatic entrepreneur. Linked to this is the need to have the right skills mix including an understanding of the social value of social enterprises as well as the technical, financial and business planning competence to keep them sustainable. Innovation and a capacity to seek out new markets, learn from experience and take risks with new concepts are also important. As with any business, keeping the organisation profitable and viable in difficult trading environments is critical but so too is being rooted in the area or interest that first instigated the project. Mission drift is an obvious problem as enterprises seek profit but the best organisations balance both their social and economic priorities. Finally, strategic stability requires the best organisations to diversify their services and products, a capacity to absorb shocks and develop financial reserves (especially given uncertainties around the withdrawals of external funding streams) and an ability to build the organisation to maturity in a financially disciplined way. One example of this is through the acquisition of physical assets which can be used to generate income through rent or develop new profitable social business lines that are relevant to local market need. Some of this activity

5 Obstacles and opportunities

The table below, summarises the obstacles and opportunities affecting the development of the sector. There are problems, internal to organisations, about the sustainability of social enterprises and their capacity to trade on a day-to-day basis but there is also stronger

investment in collaboration, especially to win contracts on a more profitable basis. Similarly, the lack of knowledge and political awareness of the sector was raised by a number of the groups supported by the North Belfast Ethical Investment Programme but there is also a strong cross-party commitment to addressing deprivation and inequality and value of the community sector in addressing complex social issues. The problem economies in which many social enterprises work, especially in north Belfast, coupled with public spending cuts and pressures on programme budgets make it more difficult for enterprises to build their business but many are optimistic about the future. The commercial success demonstrated by some of the Level 2 projects that participated in the NBEI programme have encouraged their respective boards to invest some of their own financial resources to sustain and expand the operations of the social enterprise project moving forward. This was the case with the Clifton House social enterprise project, where the delivery team revealed how support from the programme had reduced risk and also encouraged the board to think strategically about how it could invest in the heritage aspect of Clifton House in the long term.

A number of the organisations supported have plans to grow and welcome the expansion of social finance through Charity Bank and UCIT. However, there is potential to develop the social finance market, especially by strengthening patient capital and new products and services such as equity investments. A fresh policy framework could coordinate activity, provide coherence and highlight the need for grant investment into social enterprises as well as, or together with, lending from local and national providers. Social changes also present risks, such as increasing deprivation and segregation in some places but also opportunities to anticipate growth sectors including demographic ageing and renewable energy.

Figure 5 Obstacles and opportunities in the social economy

Factor	Obstacles	Opportunities
Internal	<ul style="list-style-type: none"> Financial strength of some social enterprises weakened by a lack of reserves or assets that can be as collateral to leverage additional finance; Over reliance on the individual entrepreneur; Lack of succession planning and or investment into development of second tier leadership that possess the right commercial skills to develop social enterprises; Limited evidence of large scale progression of social enterprises; Increasing competition within and between sectors for contracts and resources; and Evidence base on the economic effects of the social enterprises is weak. 	<ul style="list-style-type: none"> Significant investment in the enabling environment via UCIT to help strengthen the sector; Stronger emphasis on collaboration, especially to win public sector contracts; Effective support via the SEP to develop a new cadre of leaders in the sector but gaps in capacity building with the end of the programme.
Political	<ul style="list-style-type: none"> A comparatively weak understanding of the social economy among the politicians; and Difficulties establishing social economics as a political concern given competition with other issues. 	<ul style="list-style-type: none"> There is a strong political recognition of social need and inequality; and There is a broad push for a more sustainable community and voluntary sector.
Economic	<ul style="list-style-type: none"> Cuts in public spending to the social economy and in the policy areas where it works; The lack of public sector grant/loan support to incubate and grow social 	<ul style="list-style-type: none"> The development of social finance products through Charity Bank and UCIT; Potential to access national social finance and fiscal instruments,

	<ul style="list-style-type: none"> enterprises; • Social finance supply and diversity of products are weak; and • There is a danger for some in the sector that social enterprises will be increasingly positioned as a replacement for welfare programmes. 	<ul style="list-style-type: none"> especially CITR; and • Big Society Capital has expressed an interest in dedicated funding to Northern Ireland.
Policy	<ul style="list-style-type: none"> • Lack of a framework to both prioritise and direct resources to the sector; • Although there are specific departmental and agency supports for specific initiatives, responses across policy areas is patchy; • Lack of legislation that might support the sector, such as procurement; and • Public contracts increasingly require a scale beyond the capacity of many social enterprises. 	<ul style="list-style-type: none"> • Important progress in urban regeneration and asset transfer policies to support social enterprises; • Stronger recognition of the role of the sector in addressing complex problems; and • Good evidence of impact in forming new businesses, employment and turnover.
Social	<ul style="list-style-type: none"> • Regulation in child care, older people, social care and the environment will make it more challenging (and costly) for social enterprises to compete against established private operators; • Residential segregation makes it harder to establish social enterprises and market scale and build community support in some of the most disadvantaged areas; and • Intensification in poverty and social need will create increasing pressures on the sector to deliver their services. 	<ul style="list-style-type: none"> • Faith based groups developing significant projects; • Social enterprises <i>could</i> have a role in regenerating contested spaces; • Demographic ageing presents an opportunity for social enterprises; • A stronger move to technological delivery with innovation around multi-media services; • Stronger public and investor awareness of business ethics; and • The regulatory environment also opens opportunities such as the green economy.

6 Policy implications

Recommendation 1: Create a policy framework for the development of the social economy with a particular focus on the growth of asset based social enterprises.

It was noted in that the Northern Ireland Executive 'are committed to developing social economy policy and development of the sector, to be supported within the context of the Economic Strategy (NIE, 2013, p.40). It is within the context of making a positive contribution to the growth and sustainability of the sector that these recommendations are made. The value of a policy framework is that it gives identity and (political and policy) status to the social economy and the distinctive needs of social enterprises. It could highlight their value as an instrument to achieve a range of objectives and strengthen the enabling environment to allow the sector to grow. Such a policy framework would help to achieve high level outcomes in the Programme for Government (PfG), especially Priority 1 on developing a sustainable economy and Priority 2 on tackling disadvantage. However, its main aim would be to prioritise and focus on a range of actions that are essential to stimulating the sector, addressing obstacles and supporting the factors that help social enterprises grow.

The framework could adopt simple but progressive definitions of the social economy and social enterprises; progressive in that definitions should highlight their social impact, ethical base and collective strength. The Scottish approach would form the basis for such an

approach but this could be formed by a partnership between Social Enterprise NI and public-sector stakeholders.

- The framework could signal the importance and potential of social enterprises in a range of policy areas and work through existing champions to support delivery.
- The PwC (2013) report highlighted the importance of a comprehensive data set and a policy framework would help to support such work. It could also build a longitude monitoring approach that examines the macro impact of the sector in terms of employment, turnover and contribution to GDP. A stronger commitment to the sector in the PfG could be backed by reliable data on its performance and effects.
- The framework would concentrate on a limited number of strategic issues that will stimulate the growth of social enterprises in particular. Working groups from across departments and the sector could focus on: social finance and public-sector investment; procurement and social value; and skills, over a three year period.

Recommendation 2: The development of integrated social finance products in order to build a long term and sustainable sector especially by developing land and property in disadvantaged communities.

The PwC (2013) review highlighted the potential of innovative tax incentives to draw more private sector investment into social enterprises via the Enterprise Investment Scheme (EIS) and the Venture Capital Trust. This requires changes at a national level but there are ways in which the local supply of finance could be addressed at a regional level. The research presented here identified gaps on the supply side including: patient capital and start-up lending; unsecured loans; quasi-equity as well as social impact and charitable bonds. The following financial mechanisms are proposed:

- *A social enterprise research and development fund* would support: early stage market research; financial analysis and advice; legal assistance; the development of prototypes and the implementation and testing of pilot initiatives. This could fund very early stage organisations or projects with significant financial and employment growth potential.
- *Quasi-equity start-up funding*: Invest NI's Social Entrepreneurship Programme and their Small Business Loan Fund have provided an entry path for new social enterprises and for charities, voluntary organisations and community groups that want to develop a trading arm. However, it is particularly difficult to start new enterprises financed purely by debt and an element of grant support in the form of quasi-equity funding which could be repaid as revenues grow, could energise the start-up market.
- *A Charity Bond Pilot* could be developed between large charities with an excellent local reputation, social finance providers and other, London-based, Charitable Trusts. This can be a relatively low-cost way of raising medium term funds from existing supporters of the charities but the set-up costs would need external support. It could be delivered as an open tender or Social Enterprise NI could be appointed to lead on such a pilot.

Recommendation 3: The development of specific social finance supports to strengthen community asset development using social enterprise models.

This specific area of funding would include a mix of technical and financial support, led by DSD in partnership with CFNI to support asset led development in the community and voluntary sector.

- *An Investment and Contract Readiness Fund* would support tailored investment readiness programmes for large existing charities and social enterprises that have the potential for high growth, while delivering measurable social impact. In the English fund, managed by the Social Investment Business, high growth is defined as growing from start-up to £1m in three years or less or year-on-year growth in turnover of 20%.
- *A Community Asset Transfer (CAT) Fund*, similar to that delivered in partnership between the Welsh Assembly Government and the Big Lottery Fund, would provide capital and revenue funding to support the transfer of assets from public sector organisations to community ownership. It was noted that there are a number of opportunities developed by DTNI to bring forward assets but the approach requires funding to help organisations purchase, refurbish or rebuild assets transferred to communities.
- *Community Assets NI*: The Morrow Gilchrist (2013) report on asset transfer and ethical property development suggested an additional financial model for an ethical asset fund investing in a balanced portfolio of land, property and other assets in order to deliver positive financial and social impacts. The report was funded by the Community Foundation for Northern Ireland, DSD and Belfast City Council. There is an opportunity for DSD to help capitalise such a fund, along with CFNI and possibly with other statutory agencies, including Belfast City Council and the Housing Executive.

Recommendation 4: Intermediation services need to be strengthened, especially to access social finance markets in the Britain.

A number of interviews raised the need for intermediaries, especially to access the social finance market in England and to extend the use of fiscal initiatives such as the CITR and SITR. There has been recent interest by Big Society Capital in investing in the Northern Ireland market place and a recent seminar highlighted the potential opportunities, especially with UCIT and Charity Bank.

- *Intermediation Services*: Discussions with charitable trusts based in England have highlighted the concerns of social investors about the lack of liquidity in social investment markets and difficulties in developing exit strategies. The funds proposed in recommendations 2 and 3 include a number which meet the concerns of social investors, including the Charity Bond Pilot, Community Assets NI and Community Asset Transfer.
- *Social Enterprise Funders Forum*: The situation could be improved in the short term by greater cooperation and coordination between grant funders and social finance providers. This could be provided by *Funders Forum*, with agencies in Northern Ireland working together on funding projects, sharing experience and learning from each other's skills.
- Intermediaries could also improve the capacity of the third sector to develop and share a more coherent approach to impact measures at the subsector level (for example, among social enterprises as a whole). However, it is important that social enterprises (and social economy organisations involved with cooperatives, housing

associations and social finance) develop agreed metrics and systems that account for their social value in reliable ways. LM3 and mapping out the economic and social impact of the sector

Recommendation 5: The development of an integrated programme to support social enterprises in public procurement in Northern Ireland.

The Centre for Economic Empowerment (CEP) recently reviewed social clauses in procurement in Northern Ireland and made a number of important and valuable recommendations, stating that: 'A Social Value Strategy should be developed, setting out how commissioners and procurement officials should use social clauses to further the social, environmental and economic goals of the Northern Ireland Executive' (CEP, 2013, p.5). Such a strategy would have the potential to deliver broader and deeper social impacts at competitive financial costs. This requires intervention on three levels:

- Providing public sector commissioners and procurement officers with support from social enterprise and procurement law specialists, through legal advice and detailed engagement on social value and community benefit clauses, good practice examples, public-social partnerships in priority areas such as re-offending, early years and care services).
- Strengthening capacity in the third sector through programmes such as Charity Bank's *Advanced Diploma in Sustainability Investment for the Third Sector*, delivered by the University of Ulster. This could be extended to include specialist short courses, online training as well as mentoring for organisations moving into bidding for public sector contracts or sub-contracts.
- Consideration of legal reform including the incorporation of Community Benefit Clauses, requiring consultation with local communities or communities of interest and facilitating access to public contract opportunities and sub-contracting requirements for third sector organisations.

Recommendation 6: Prepare briefing for new local authorities aimed specifically at Community Planning processes to strengthen the social economy at a local level.

Under proposals for RPA, local authorities will have responsibility for community development, planning and urban regeneration. *Community Plans* are likely to be the vehicle to deliver these services and it is important that they support social enterprises at the local level. Guidance on the value of the sector, its diverse forms, its potential and how best to support it, could help to place social enterprises at the heart of local authority Community Plans.

The *guidance* should be practice led and should draw on the experience and expertise of the sector to set out guidance on: mapping and auditing the local social economy (for example by geography, sector or beneficiary group); developing strategic priorities; forming programmes of support in the context of Community Plans; signposting technical assistance; and providing guidance and toolkits to help local planning (such as the approach on local multiplier effects shown here).

Recommendation 7: Undertake research on key market sectors in which social enterprises are likely to grow.

Sectoral reviews could explore the potential of a range of markets for social enterprises. *Transforming Your Care* has identified the importance of the community and voluntary sector

in programme and service delivery, although the extent and profitability of the market is unclear. Social enterprises and co-operatives are also successfully developing in the energy renewables market and recycling, each backed by social finance rather than public sector grants. The sectoral reviews could examine:

- The strategic challenges and barriers (especially where start-up costs might be high);
- The capabilities of the sector;
- Current activity and market share;
- The implications for collaboration; ethics and risk;
- Pricing and market size; and
- Strategies to develop or scale social enterprise opportunities.

Recommendation 8: Coordinate skills programmes under a single Skills, Knowledge and Learning Framework to ensure the efficient and effective use of resources aimed at sustaining the asset based sector.

The organisation supported here have shown how the sector itself has provided investment readiness and financial planning support for small, medium and large voluntary sector organisations. It is important that these initiatives are coordinated around a single skills strategy that clearly defines the knowledge sets, competencies and learning styles that support the development of more sustainable social enterprises. There is a danger that impact will be reduced if too many schemes aimed at broadly comparable capacities are delivered without an agreed understanding of the relationships between them.

There needs to be a *Knowledge, Skills and Learning* framework for the social economy that takes account of the future needs of asset based social enterprises (We could propose this on the basis of our experiences). However, this also needs to coordinate support recommended in recent policies in urban regeneration, community development and asset transfer. The University of Ulster's *Advanced Diploma in Sustainable Investment for the Third Sector* indicates that these skills centre on: strategic and business planning; sources of finance; financial and social impact measurement; risk management; financial stakeholder marketing; the procurement process; embedding the plan; and advocacy.

Recommendation 9: Extend social entrepreneurship education in order to attract more young people into the sector.

There has been good support for social entrepreneurs in Northern Ireland through the Social Entrepreneurship Programme; the PwC (2013) review highlighted the importance of social enterprises in schools and across the curriculum; and Invest NI includes the social economy in its various awareness building programmes. Enterprise training in the universities has been growing but both universities lag behind Britain in terms of the development of support programmes, seed finance and spinouts for social entrepreneurs. Two initiatives are important here:

Universities are one of the most underdeveloped sectors in this respect. There has been some curriculum development (especially at Ulster University of Ulster) but direct engagement with research groups to utilise university intellectual property is also important. Enterprise support could assist staff and students interested in developing concepts and intellectual property as spin-out social enterprises.

There is also an opportunity to globally network through the *Ashoka* network, based in the US. This supports social enterprises and it recently successfully negotiated to have 50 top performing social enterprises in the United States replicated in the Republic of Ireland (There

is limited capital support but an emphasis is placed on mentoring, business planning, accessing loan finance and establishing profitability.

Recommendation 10: The sector could develop a programme to prioritise key actions with the political parties in the Northern Ireland Assembly.

It was noted that one of the obstacles to the development of the sector was its weak profile across the political parties, especially in the Northern Ireland Assembly. Social Enterprise NI could continue develop its work with the newly established *All Party Working Group* to build awareness and identify a number of critical issues to progress via the Assembly (and legislatively if necessary). These might include:

- Procurement and the extension of social clauses in public sector contracts;
- The social finance market place and the supply of bespoke financial products in particular;
- Support for the delivery of training and skills programmes being developed by Social Enterprise NI in partnership with providers across Northern Ireland as well as in Scotland.