



# The Wales Co-operative Centre Canolfan Cydweithredol Cymru



# Social Enterprise Networks Wales

## Agenda

10am - Social Finance: Investment and Contract  
Readiness

12pm - Light lunch served

1pm - Networking event closes



web: [locality.org.uk](http://locality.org.uk)

email: [info@locality.org.uk](mailto:info@locality.org.uk) tel: 0845 458 8336

# Social Finance: Investment and Contract Readiness

**Hugh Rolo**  
**Innovation Director**  
**@hughrolo**



# Investor Perspective

- Clear line of sight to investable proposition
- Due diligence
- Track record
- Organisational competence
- Credible people
- Risks can be assessed

# INVESTOGRAM (Typical Established Organisation)

## Example Community Organisation

### Reading the chart

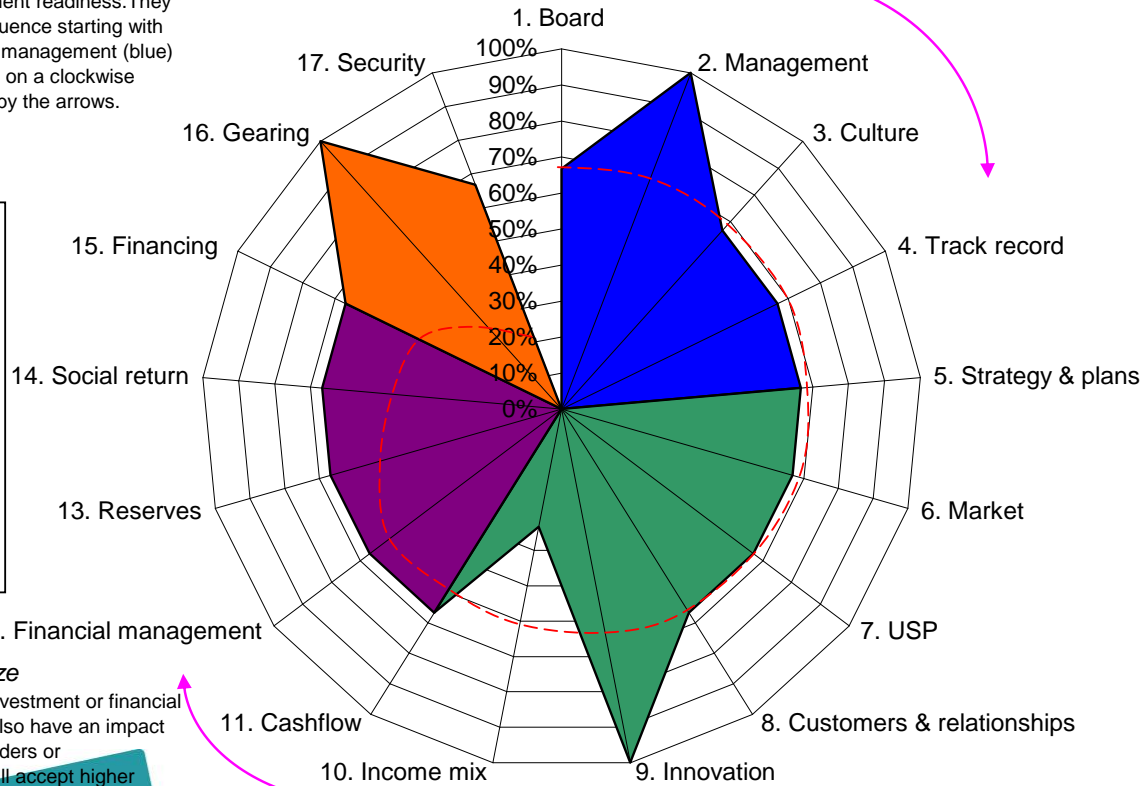
The colour shaded areas in the chart represent four broad aspects that help to highlight investment readiness. They are in a logical sequence starting with the leadership and management (blue) with this continuing on a clockwise basis as indicated by the arrows.

## INVESTOGRAM - A PICTURE OF INVESTMENT READINESS

**Risk**  
The coloured areas of the chart show the relative strengths of the organisation. The white areas are an indication of risk. The more white space, the higher the level of risk is indicated

### Investment Size

The size of any investment or financial requirement will also have an impact on risk. Some funders or commissioners will accept higher levels of risks for relatively small financing requirements.



### Attractiveness to funders

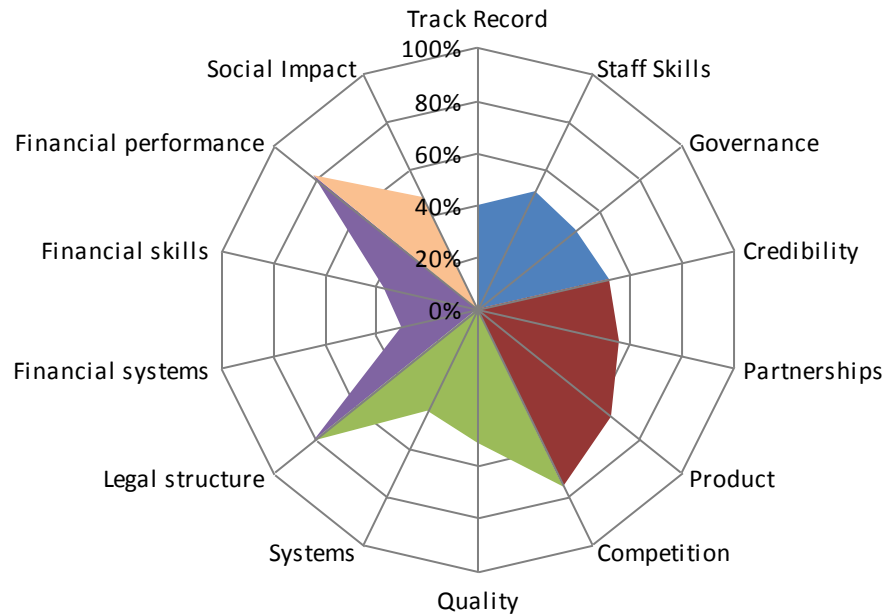
Whilst this chart shows the relative strength of the organisation compared to the most widely used factors for investment readiness, every funder will have their own perspective on risk and the relative importance they place on each.

There are however three core areas that are important to all funders, and these are; leadership & management, a clear proposition and good financial control. These are largely represented up to factor 12. The red dashed line gives an indication of the sort of minimum level that needs to be attained.

In addition to these core factors each funders will consider the importance of others differently. For example banks and loan funders would want to see potential security on assets whilst seedcorn funders will accept higher levels of risk where there is strong leadership and a clear opportunity even though there may be little security. Many grant funders expect to see good social returns and a positive level of reserves.

# More Wheels

## Contract Readiness Wheel



### Reading the chart

The colour shading in the chart represent five broad areas that help to highlight contract readiness. The stronger the factor the more area will be shaded. There is no shading in the segment that shows the %

- Capability
- Market Position
- Compliance
- Financial

### Contract Size

The size of a contract will also have an impact on risk. Some commissioners will accept higher levels of risks for relatively small contracts so a lower overall score is likely to be acceptable on small

# Only 3 Kinds of Money

- Development finance
- Capital
- Working capital



# Influence of BSC

- Grow market
- Concern over demand/deal size
- Promote diversity/new money into Social investment space
- Emergence of intermediaries: sign of maturity?
- “Social business 50/50%”

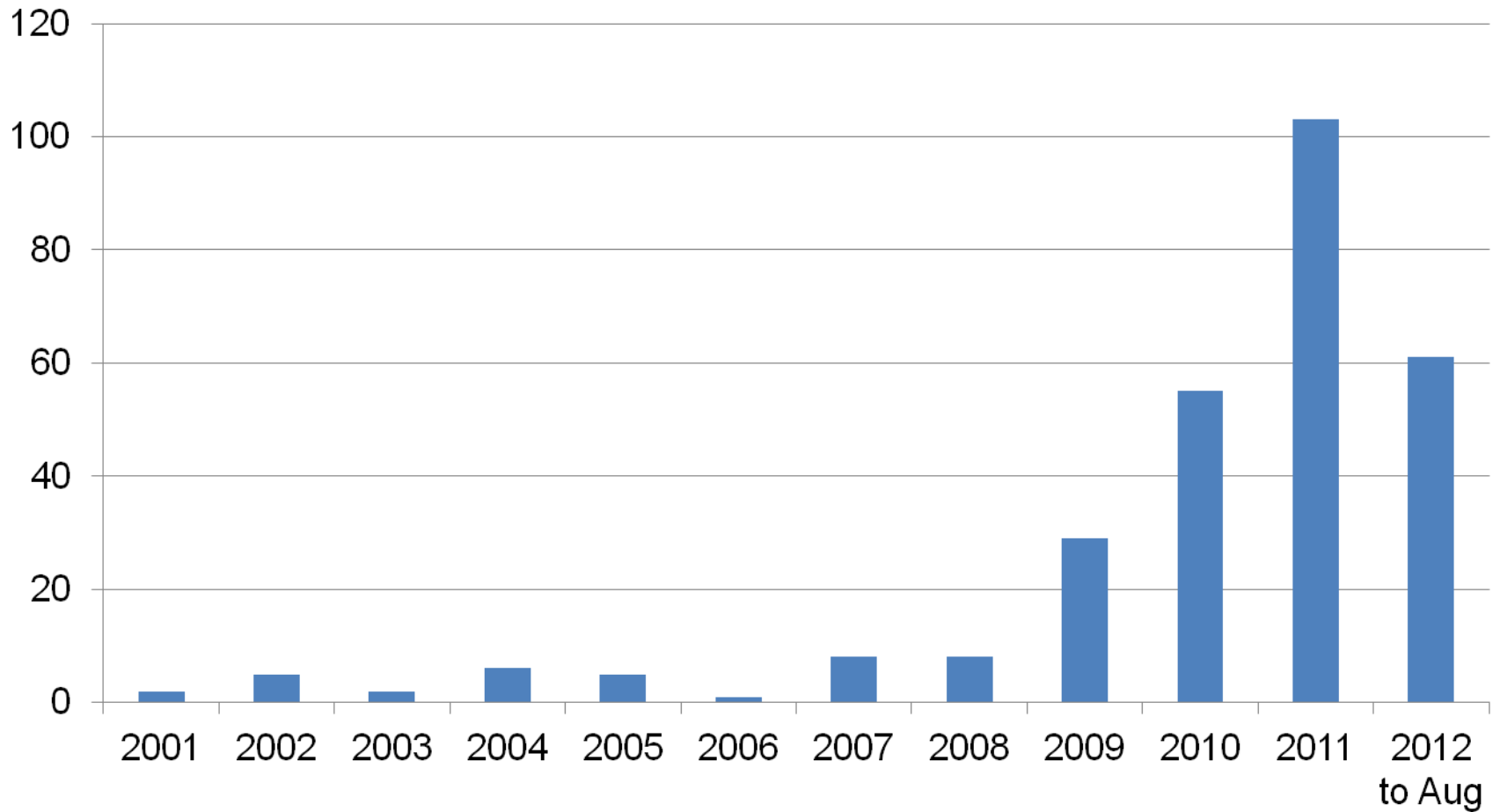
# Emerging Trends

- Growing social investment progress - Update Office of Civil Society (OCS)
- Investment and Contract Readiness Fund (England only) / BIG Investment Readiness Fund (2013 England only)
- BIG Social Incubator Fund (England only)
- Social Outcome Fund for the public sector (Payment by Results / England Only)
- Mutual Support Programme/Mutuals Fund
- DWP Innovation Fund
- NESTA Impact Fund
- Bridges Ventures funds (England only)

# Development Finance

- Risk/equity
- Proportionate/lever
- Service delivery – preventative/payments by results
- Assets – buildings in the 21<sup>st</sup> century

# Community Shares Registrations



# Community Shares 2009-Present

248 new societies registered

80 share offers completed

£15.2m raised from over 15,000 members

Average raised £195,000 (median £80,000)

Average membership 192 (median 150)

Average investment per member £1,029



Renewable energy



Community shops and pubs

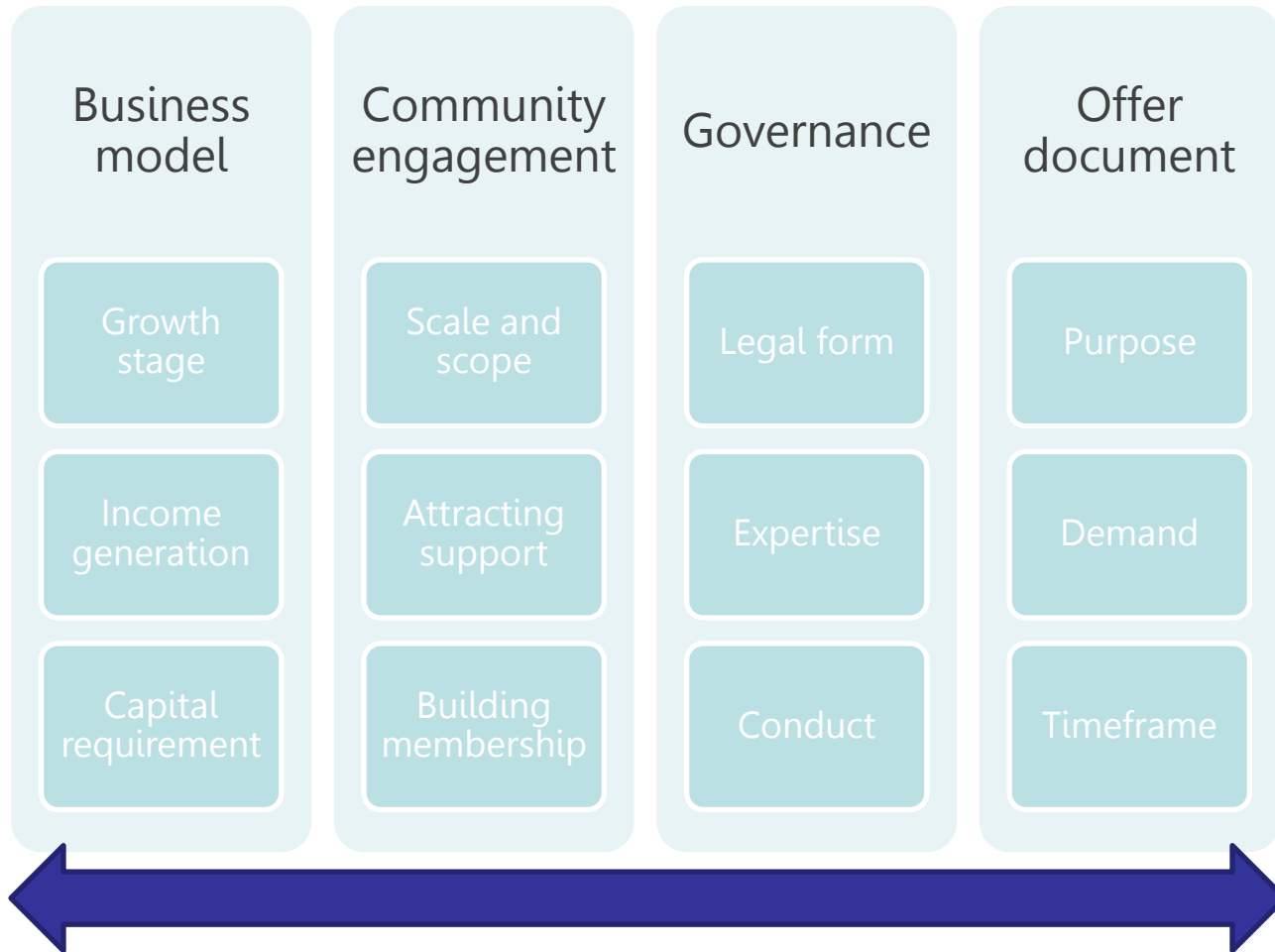


Local food and farming

Sports and heritage



# Community Share Offers: Four Pillars



Necessary but not sufficient  
Overlapping and pervasive

# The Venture Crowd Nesta

- In 2011 alone, €1.5 billion was raised through crowdfunding for projects and businesses in need of funds.
- “Crowdfunded businesses do not have to adhere to the strict accounting standards required of public companies and unlike other risk capital providers, crowdfunding investors may have no experience in making such investments.”

# Crowdfunding – crowded marketplace?

- **Spacehive** [www.spacehive.com](http://www.spacehive.com) Private Limited company created by Chris Gourlay in November 2011 with funding from Big Venture Challenge, Unltd and Deloitte's with Rod Schwartz as Chair of an impressive advisory board. Five projects on its website
- **Crowdcube** [www.crowdcube.com](http://www.crowdcube.com) Offers direct equity investment in 53 enterprises listed on website. Some serious questions have to be asked about the legality of this site and its financial promotions
- **Buzzbnk** [www.buzzbnk.org](http://www.buzzbnk.org) encourages donations and loans in "projects" Created by Michael Norton
- **People Fund It** [www.peoplefund.it](http://www.peoplefund.it) pledged donations in return for goodies, bordering on advanced sales, pledges only realised if targets are met
- **Crowdfunder** [www.crowdfunder.co.uk](http://www.crowdfunder.co.uk) 5% commission on pledged donations which are only realised if the target is met. This is an off-shoot from Crowdcube
- **Bloom Venture Catalyst** [www.bloomvc.com](http://www.bloomvc.com) similar to Crowdfunder and backed by NESTA based in Scotland
- **Please Fund Us** [www.pleasefund.us](http://www.pleasefund.us) yet another pledged small projects site
- **SoLoCo** [www.soloco.co.uk](http://www.soloco.co.uk) new community benefit society planning a crowd funding site aimed specifically at the third sector – yet to launch
- **Sponsorcraft** [www.sponsorcraft.com](http://www.sponsorcraft.com) crowd funding for students
- **Sponsume** [www.sponsume.com](http://www.sponsume.com) just how many of these can there be?
- **We did this** [www.wedidthis.org.uk](http://www.wedidthis.org.uk) want to give your money to struggling artists?



<p><b>Wales</b></p> <ul style="list-style-type: none"> <li>• <b>Community Facilities and Activities Programme (CFAP – Welsh Government - consultation on future options closed at end of October)</b></li> <li>• <b>Community Investment Fund (CIF - WCVA)</b></li> <li>• <b>South East Wales Community Economic Development (Local authorities in the south-east)</b></li> <li>• <b>Housing associations small pots of pump priming money</b></li> </ul>	<p><b>UK</b></p> <ul style="list-style-type: none"> <li>• <b>Big Issue Invest</b></li> <li>• <b>Big Lottery Fund</b></li> <li>• <b>Big Society Capital – intermediaries to date: Resonance, ClearlySo, PURE the Clean Planet Trust, Investing for Good, Community Generation Fund, Franchising Works Licence Fund, Triodos New Horizons, Social Stock Exchange, ThinkForward Social Impact</b></li> <li>• <b>CAF Venturesome</b></li> <li>• <b>Co-operative &amp; Community Finance (contact for Wales is Ian Taylor)</b></li> <li>• <b>Credit Unions (future potential)</b></li> <li>• <b>UnLtd</b></li> </ul>
<p><b>Banks</b></p> <ul style="list-style-type: none"> <li>• <b>Charity Bank</b></li> <li>• <b>Royal Bank of Scotland’s Community Business Loan Fund</b></li> <li>• <b>Triodos Bank</b></li> <li>• <b>Unity Trust - favourable lending terms flat 4% rate (contact for Wales is Jon Field)</b></li> </ul>	<p><b>Charitable Trusts</b></p> <ul style="list-style-type: none"> <li>• <b>Esmee Fairbairn</b></li> <li>• <b>Shell Livewire - Shell LiveWIRE programme offers free online business advice and start-up awards of £1,000 and £10,000 funding to young entrepreneurs (16-30 yrs) in the UK</b></li> <li>• <b>Lankelly Chase Foundation</b></li> <li>• <b>NESTA</b></li> <li>• <b>Tudor Trust</b></li> </ul>
<p><b>Crowdfunding</b></p> <ul style="list-style-type: none"> <li>• <b>Launch of Kickstarter in the UK in November</b></li> </ul>	



# The Wales Co-operative Centre Canolfan Cydweithredol Cymru



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government



Wales Co-operative Centre  
Canolfan Cydweithredol Cymru

[www.walescoop.com](http://www.walescoop.com)