

<b>Committee</b>	<b>Dated:</b>
City Bridge Trust	25 <sup>th</sup> July 2019
<b>Subject:</b> Strategic Initiative – Social Enterprise UK (Ref: 15323)	<b>Public</b>
<b>Report of:</b> Chief Grants Officer & Director of City Bridge Trust (CGO)	<b>For Decision</b>
<b>Report author:</b> Jenny Field, Deputy Director of City Bridge Trust	

### **Summary**

Social Enterprise UK (SEUK) proposes to develop a physical hub for social enterprise and social investment 'The Hive', in partnership with the School for Social Entrepreneurs (SSE) CAN and Impact Hub King's Cross.

Funding of £200,000 over two years is sought in order to develop the concept and to project manage the building acquisition and its redevelopment, as well as ensuring that the partners have the skills and capacity to negotiate the financial arrangements with funders and investors.

### **Recommendation**

Members are asked to:

Approve a grant of £200,000 over two years towards the salary of a part-time project director, together with social sector consultancy costs, low bono legal fees, accountancy services for the project and the implementation of financial systems. In the first year, funding in Quarter 2 to be subject to detailed financial modelling for The Hive being in place and in Quarter 3 subject to the parameters for a social investment request also being in place.

### **Main Report**

#### **Background**

1. This strategic initiative comes from a partnership of four organisations (SEUK, SSE, CAN and Impact Hub King's Cross) led by SEUK.
2. SEUK is a Community Interest Company and the main national voice for social enterprise in the UK. It aims to create a more favourable environment in which social enterprises can thrive by:
  - Raising awareness of social enterprise with different audiences;

- Building the evidence base of how social enterprise makes a difference;
  - Helping social enterprises to share learning and network;
  - Opening markets in the private, public and social sectors to social enterprise;
  - Advocacy with government at all levels to create a regulatory and policy environment that is supportive to social enterprise.
3. SSE aims to mobilise the experience of people from all backgrounds to use entrepreneurial approaches to create lasting social change. It helps c1,000 individuals annually develop the skills, strengths and networks they need to tackle society's biggest problems. It runs courses that equip individuals to start, scale and strengthen organisations that make a positive difference and also provides support through funding and mentoring.
  4. CAN is a registered charity and social enterprise which works to help charities and social ventures thrive by offering business support, capital and flexible, affordable office space. Its two main services are: (i) CAN Invest which supports voluntary, community and social enterprises to build sustainable businesses by providing capital and business support; (ii) CAN Mezzanine provides fully serviced office desk space exclusively to charities, social enterprises and not-for-profits, currently in 5 London locations.
  5. Impact Hub King's Cross is a not-for-profit that was set up by The Hub King's Cross Ltd in 2014. Its focus is on social inclusion primarily through grant-funded programmes that are designed to inspire, encourage and enable members of under-represented communities to embark on their own entrepreneurial journeys and to contribute to the social economy. It is currently in the process of registering as a charity.

### **The proposal**

6. London is widely recognised as home to one of the largest global communities of social enterprises, as well as to one of the most dynamic communities of social financiers and social investment intermediaries in the world.
7. SEUK, School for Social Entrepreneurs, CAN and Impact Hub King's Cross are working in partnership in order to respond to and resolve the increasing challenges that the current property market poses for London's social enterprise community.
8. The proposal is to create a physical hub (working title 'The Hive') as an international flagship of social enterprise and social investment. It will provide a physical infrastructure to build, develop, scale and support social entrepreneurs and social businesses emerging within the capital.
9. This proposal builds on work undertaken by SEUK between November 2016 and November 2017 with a £40,000 Stepping Stones grant from CBT. This

enabled it to undertake extensive market research of London's 20,000 social enterprises (one-third of whom have started their business within the last three years) in order to better understand their needs; the demand for workspace; and the range of amenities and facilities required; as well as to hold early exploratory meetings with potential social investment intermediaries. This initial research and scoping has therefore informed the proposal before you today.

10. The ambitions and vision for The Hive are closely related yet complementary to those of the Philanthropy House concept. The latter concept being to co-locate a range of specialist philanthropic organisations to serve as a centre for excellence and a dynamic convening space for philanthropic action. Similarly, The Hive plans to provide co-location space for start-up social ventures; office space for anchor tenants (social enterprises with >50 staff which will commit to long leases and provide secure revenue); incubation space for high growth, high impact enterprises; and social finance/impact investing laboratory.
11. It will be a mixed tenure building of around 40/50,000sq ft that, when refurbished, will achieve the highest standards of environmental performance and which has a socially impactful supply chain. As well as the range of occupants outlined in paragraph 10, it would also accommodate meeting and event space, makerspace and a small number of studios for creative social enterprises.
12. It is also proposed that the building will offer retail space for social enterprise caterers, artisan and craft manufacturers, plus a series of social pop-ups, thereby enabling public engagement.
13. The financial model for the building would be to combine a long-term, patient capital loan of c£5m with a commercial mortgage. Initial discussions regarding social investment have taken place with CBT and Trust for London. However, it is recommended that any grant be subject to two key milestones during the first year of the grant: that funding in Quarter 2 be subject to detailed financial modelling being in place and that Quarter 3 be subject to parameters for a social investment request also being in place.
14. Grant funding of £200,000 over two years is sought to bring in the necessary project management skills to help identify potential building(s); ensure the partners have the skills and capacity to negotiate the financial arrangements with investors and lenders; and to project manage the building acquisition, redevelopment and finally its launch.
15. The four partners have agreed the broad specifications for The Hive and are fully committed to its delivery. They believe they have the collective track records, relationships, networks and skills to ensure the proposal is viable, sustainable and can fulfil its full potential social purpose.

## Project Budget

Item	Cost p.a £
Project Director @ 3 days per week	48,000
Low bono legal costs	20,000
Social sector consultants	15,000
Financial accountancy services/systems	10,000
Contingency	7,000
<b>Total</b>	<b>100,000</b>

16. Short-term social sector consultants are included in the budget to enable a wide range of consultation and advice to be sought. Financial accountancy services include the cost of producing management accounts for all four partners in a uniform format that satisfies the requirements of potential investors and lenders.

## Finance

17. The financial information in the table below is for SEUK as the lead partner.

18. SEUK's 2020 forecast includes new budgeted income of c£547,000 which amounts to the sum as yet unsecured in the year. If this is not secured during the year, SEUK would expect to reduce expenditure accordingly. As at 31<sup>st</sup> March 2018, its free reserves were slightly below target but are forecast to grow to be within its target.

Year end as at 31st March	2018 Signed Accounts £	2019 Draft Accounts £	2020 Forecast £
<b>Income &amp; expenditure:</b>			
Income	1 532 876	1 543 905	1 955 325
- % of income confirmed as at 10/06/19	N/A	N/A	72%
Expenditure	(1 468 251)	(1 461 922)	(1 857 559)
Total surplus/(deficit)	<b>64,625</b>	<b>81,983</b>	<b>97,766</b>
Split between:			
- Restricted surplus/(deficit)	0	0	0
- Unrestricted surplus/(deficit)	<b>64,625</b>	<b>81,983</b>	<b>97,766</b>
	<b>64,625</b>	<b>81,983</b>	<b>97,766</b>
Operating expenditure (unrestricted funds)	1 468 251	1 461 922	1 857 559
<b>Free unrestricted reserves:</b>			
Free unrestricted reserves held at year end	295,069	377,052	474,818
No of months of operating expenditure	2.4	3.1	3.1
Reserves policy target	367,063	365,481	464,390
No of months of operating expenditure	3.0	3.0	3.0
Free reserves over/(under) target	(71,994)	11,572	10,428

## **Conclusion**

- 19. This is an ambitious proposal but with potential to create a flagship resource for the social enterprise sector in London.**
- 20. It also complements the development of the Philanthropy House concept and the project leads on this initiative have remained in close contact with SEUK during the development of the proposal before you today.**
- 21. Due to the ambitious nature of the proposal, there are corresponding risks, of course, including the risk that the partners are not able to raise sufficient finance for it. It is recommended that any grant approved should be subject to specific milestones during the first year of the grant. It is recommended that funding in Quarter 2 should be conditional on detailed financial modelling being place and in Quarter 3 that the parameters for a social investment are in place. If these milestones are not met, then the feasibility of the proposal will be in doubt and the outstanding grant would be written-back to the Trust. The conditions are therefore intended to minimise the financial risk to CBT.**

**Summary Assessment of Strategic Initiative for Committee Decision**  
 (Use: Y/N/Potentially or N/A where relevant)

<b>FILTERS</b>	
<b><i>Will The pro-active grant:</i></b>	
Further the Trust's Vision and Mission (a fairer London & tackling disadvantage)?	Y
Support work within one of existing Bridging Divides programmes? Or, meet a clear need that has arisen since (BD) was agreed?	Y
Have the potential for impact beyond that of an individual reactive grant or number of individual grants?	Y
Be affordable within the agreed annual budget (from the Trust alone or in combination with other funders) and, looking forward, leave sufficient budget to meet anticipated pro-active grants for the remainder of the financial year?	Y
Be made to an organisation(s) that conforms to the Trust's eligibility criteria and has the capacity and expertise to deliver the work?	Y

<b>PRIORITISATION GUIDANCE</b>	
<b>Evidence</b>	
Is there external and/or internal research and information that supports the need for the proposed grant?	Y
Is there external and/or internal research and information that indicates the approach proposed in the grant will be successful?	Y
Is there evidence that indicates the work will be hard to fund from other sources?	Y
<b>Impact</b>	
Will the grant tackle a root cause(s), or positively influence policy or practice?	Y
Will the work/approach funded be replicable?	Y
Does the grant provide an opportunity to strengthen Civil Society in London?	Y
Is the work sustainable beyond the period of the grant?	Y
Can the impact of the work be measured through evaluation?	Y