

Committee: Grants Committee of the Bridge House Estates Board	Date: 26 September 2022
Subject: Strategic Initiative – Increasing the quality and scale of giving and capacity building for London’s social enterprises (Ref: 19714)	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045</i> Strategy does this proposal aim to support?	1,3
Which outcomes in CBT’s funding strategy, <i>Bridging Divides</i>, does this proposal aim to support?	Reducing inequalities, Progressive, Collaborative,
Does this proposal require extra revenue and/or capital spending?	No (£388,260 funding allocation from BHE designated grant making fund)
Report of: David Farnsworth, Managing Director of BHE	For Decision
Report Authors: Tim Wilson, Funding Director Catherine Hobbs, Funding Manager	

Summary

This report requests £388,260 over three years as a strategic initiative to the School for Social Entrepreneurs. Funding would support the charity’s work to build the digital infrastructure for a capacity-building and enterprise development programme for London-based and London-focused social purpose organisations. Funding will also be used to provide enterprise support to 20 groups whose work is aligned to City Bridge Trust’s (CBT) mission and values. CBT has a long-standing engagement with issues of capacity building and, through its Stepping Stones programme, with enterprise development. School for Social Entrepreneurs has a proven track record supporting a diverse range of social purpose businesses, and the match trading platform recommended by this strategic initiative is a means to scale already successful work.

Recommendation

It is recommended that the Grants Committee of the Bridge House Estates Board, in the discharge of functions for the City Corporation as Trustee of Bridge House Estates (charity no. 1035628) and solely in the charity’s best interests:

- i) Approve £388,260 over three years (£16,500; £188,830; £182,930) to the School for Social Entrepreneurs to develop a match trading portal and provide match trading grants to London-focused social enterprises.

Main Report

Background

1. The term “social enterprise” is relatively new, only dating back to the 1980s. It is generally understood to mean a focus on social, environmental and/or cultural issues with a business-like delivery. Social enterprise describes an approach, and

the term covers a range of legal forms, including Community Interest Companies and trading arms of registered charities. The movement's umbrella body, Social Enterprise UK, estimates there are over 100,000 social enterprises in the UK, employing around 2 million people and contributing £60 billion to the economy. Social Enterprise UK has four hallmarks for when an organisation can be regarded as a social enterprise. For SEUK, a social enterprise must:

- a. Have a clear social or environmental mission set out in its governing documents and be controlled in the interests of that mission.
 - b. Re-invest or donate at least half of its profits or surpluses towards its mission.
 - c. Be independent of state or government control and earn more than half of its income through trading.
 - d. Be transparent in the way it operates and the impact it has.
2. The importance of trading means that social enterprises have a high reliance on markets for income. This can mean that social enterprises are more likely to thrive in richer communities but struggle in poorer ones. In turn, this can lead to grant-dependency for those social businesses working in areas of higher deprivation, and an inability to grow, which in turn means that poorer communities receive less social enterprise support than richer ones.
3. "Match trading" (MT) provides grant funding to supplement income generated through trading. It is a simple mechanism designed to incentivise trading by providing pound for pound matches up to a pre-determined cap. MT support is intended to help social enterprises grow customer acquisition, boost financial resilience, develop sustainable business models, and enhance impact delivery in deprived communities. This is intended to strengthen the recipient organisations, making them more financially viable and better able to achieve sustained impact.
4. MT was developed and pioneered by School for Social Entrepreneurs (SSE) in 2017 with pilot funding from the Lloyds Bank Foundation and the National Lottery. Since then, funders including Power to Change, Access, the Scottish Government, Esmée Fairbairn, Guys' & St Thomas', Rank, and Mercers have provided MT support to enterprises across the UK along with assistance to SSE's core costs. Over 650 enterprises have received grants to date with evidence indicating that MT recipients typically see income from trading increase by 64% (2.5 times the amount compared to those in a control group receiving 'traditional' grants).
5. Work to date has been overseen by a MT task force which includes a dedicated equity, diversity, and inclusion partner (Voice4Change England). SSE reports that (nationally), 25% of MT-funded organisations have been led by people from ethnic minority backgrounds. The MT model was referenced by Government in February 2022 with a specific focus on its use in disadvantaged places.

School for Social Entrepreneurs – background

6. School for Social Entrepreneurs (SSE) was founded in 1997 by Lord Michael Young. A registered charity, it works across the UK, India, and Canada to run courses, providing funding and mentor people who want to start, scale and/or

strengthen organisations focused on positive difference. Independent evaluation indicates that organisations supported by SSE have a 66% five-year survival rate compared to 44% for pure-profit businesses in the UK.

7. CBT has not previously funded SSE, although it has supported several successful applicants to the *Stepping Stones* programme. Additionally, SSE was a partner along with Impact Hub Kings Cross in CBT's grant to Social Enterprise UK exploring options for a dedicated social enterprise building.

Background and detail of proposal

8. SSE approached CBT in late 2021 seeking funds to develop a "MT Funder Portal", with pilot work focused on London. SSE hopes the portal will boost the growth of match trading by changing the way funders are engaged from requests to support resilience and trading (which SSE says is not core to many grant-making programmes) to a focus on place and social issues (which should be easier to align with main grant programmes). The inspiration here is London Funders' Covid response portal which was used successfully during the pandemic as a shared platform to help grant providers identify organisations and approaches that were of interest to their work.
9. The MT Portal will be designed as a 'one-stop shop' for funders to:
 - a. Discover, fund and support social enterprises and trading charities.
 - b. Enhance inclusivity and access by using a common application form used across multiple funders.
 - c. Improve efficiency by collecting and validating trade data to release matched grant amounts.
 - d. Reduce administrative time for funders through effective use of technology and automation.
 - e. Support peer learning.
 - f. Use data to provide insights segmented by place and theme.
10. Although outside scope of this funding request, SSE plans to work with the London School of Economics' Marshall Institute on a qualitative research project to examine the impact of match trading on organisational behaviours and social outcomes.
11. The MT Portal is ultimately intended to support social enterprises across the UK but SSE plans to begin work on London activity. This will allow the development of data protocols, localised user-testing and initial work on gathering and disseminating learning before the portal is scaled.
12. SSE seeks a 20% contribution to the MT portal development costs from CBT and intends to secure the balance via a national partnership it is currently securing. Whilst this balance is not yet confirmed from external sources, SSE's trustees have pledged to underwrite the costs of remaining development costs through reserves, meaning that any CBT contribution can begin without delay. The end goal is a thriving MT portal that allows funders to identify high-quality social enterprise organisations delivering work in line with those grant-makers' own vision, mission, and funding priorities.

13. CBT is also asked to support 20 social enterprises in Greater London through a two-cohort-based learning scheme and match trading grant programme. These organisations would receive support to develop sustainable business models, increase their trading income, and strengthen resilience. They would receive tailored support and benefit from peer learning.
14. SSE believes that many of the organisations appearing on the portal would meet CBT's eligibility criteria for grant funding. CBT and SSE will work collaboratively to select social themes and/or geography and ensure that enterprise grantees match CBT's eligibility criteria.

Budget

	2022/23	2023/24	2024/25
<i>Match trading portal development</i>			
Project management	£7,320	£3,520	-
Developer costs	£4,000	£2,000	-
Impact management	£2,340	£3,510	£3,510
Stakeholder engagement	£2,840	£4,800	£4,420
<i>Match trading grants & enterprise learning</i>			
Reach recruitment & assessment		£14,000	£14,000
Delivery costs		£58,000	£58,000
Monitoring & evaluation		£3,000	£3,000
Match trading grants (£10k per participant)		£100,000	£100,000
TOTAL	£16,500	£188,830	£182,930

Financial information

15. A review of SSE's previous set of audited accounts shows the organisation is in a positive financial position. Its income has fluctuated over the last five years but grew significantly in 2021 and 2022 due to the organisation's role in distributing the Social Enterprise Support Fund (SESF) which provided financial support to social entrepreneurs during the Covid-19 pandemic. The majority of SSE's income is generated through restricted charitable grants, (88% of overall income for 2021, up from 76% in 2020) including a large £3.35m grant from the National Lottery Community Fund towards the SESF. Outside of this, other restricted sources are numerous and diverse.
16. The organisation's reserves policy dictates that reserves must reflect the cost of central overheads for 12 months, as well as the costs of closure or restructure and the required funds for investment activity. Accounts demonstrate that the charity has exceeded this target for both 2020 and 2021 and projected figures to 2023 continue to show a reserves figure above the reserves policy target. Restricted deficits are managed through higher restricted reserves accumulated in previous years and a large unrestricted donation will provide the opportunity to designate part of the reserve fund for future programmes. The charity has secured 44% of its income against 81% confirmed expenditure for 2023 but has healthy levels of

surplus free reserves to meet any potential excess expenditure costs even with income levels returning to reduced levels after the temporary increase of the SESF.

Year end as at	2021 Signed Accounts £	2022 Forecast £	2023 Budget £
Income & expenditure:			
Income	8,645,248	10,278,759	5,519,053
Expenditure	(8,515,162)	(9,998,251)	(6,095,506)
Gains/(losses)	96,118	0	0
Surplus/(deficit)	226,204	280,508	(576,453)
Reserves:			
Total restricted	956,504	977,376	249,923
Total unrestricted	1,215,051	1,474,687	1,625,687
Total reserves	2,171,555	2,452,063	1,875,610
Of which: free unrestricted	1,189,845	1,449,481	1,600,481
Reserves policy target	900,000	900,000	900,000
Free reserves over/(under) target	289,845	549,481	700,481

Conclusion

17. The proposed strategic initiative complements CBT's work to increase the quality and scale of giving and is in line with BHE's joint Philanthropy Strategy. BHE's Philanthropy Director was involved in early discussions with SSE that led to the development of this proposal. Initial match trading data, gathered from independent assessment of income gains is encouraging and the proposed portal a good means of scaling work. CBT's support at this point could be catalytic and is recommended to the Committee.

Appendix

- Appendix 1: Strategic Initiative Filters

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Appendix 1 – Strategic Initiative Filters

FILTERS	
<i>Will The pro-active grant:</i>	
Further the Trust's Vision and Mission (a fairer London & tackling disadvantage)?	Y
Support work within one of existing Bridging Divides programmes (BD)?	Y
Or, meet a clear need that has arisen since (BD) were agreed?	
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
PRIORITISATION GUIDANCE	
Evidence	
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
Impact	
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?	Tbc
Can the impact of the work be measured through evaluation?	Y