

Supporting Charitable Involvement in Social Investment

Aims of the programme

London's voluntary, community and social enterprise sector organisations play a vital role in delivering services to vulnerable people and marginalised groups. The sector is going through significant change in the way it secures funding, delivers services and in the way performance is measured and paid for. Organisations now need to consider new or extended ways of generating income, how to widen their customer base, the opportunities to collaborate with other organisations and how to ensure they produce identifiable, replicable outcomes which have a true value to society.

Social investment might be an appropriate financing route for some social sector organisations which are able to generate sufficient revenue to repay debt.

However, there are many issues to consider before taking on any form of repayable finance and the capacity of an organisation may need to be enhanced to manage an investment. Organisations may also need to test out new business models, to create new services and partnerships and, in so doing, develop a deep understanding of the cost bases to any such innovations.

Programme outcomes

This programme aims to encourage organisations to make full use of the different types of finance which are potentially available to them if their capacity, products or activities are expanded.

The programme will fund work which will achieve one or more of the following:

- more organisations with improved skills in financial management required to take on repayable finance;
- more organisations with improved capabilities in strategic, business, marketing and partnership building skills;
- more organisations testing out alternative revenue generating models with a thorough understanding of the cost basis to these;
- more organisations, for whom it is appropriate, securing a social investment package; and
- more organisations able to offer to deliver valued social outcomes consistently with a clear understanding of the factors affecting these.

What will the programme fund?

The programme will consider applications under the following strands:

- 1. Capacity building for charities and intermediaries:** to provide organisations with human, financial and strategic support as well as supporting access to appropriate expert intermediaries to enhance their overall investment readiness.
- 2. Pilot finance for better outcomes:** to pilot new ways of creating improved social outcomes in a specific sector, geography or outcome area; test out new

ideas, new partnerships and ways of working as well as alternative ways of measuring complex outcomes.

- 3. Risk finance:** to provide first loss capital to qualifying organisations such as in the form of guarantee, underwriting, overdraft facility or other subordinated or concessionary positions within or in advance of an investment package.

Proposed programme size

It is recommended that this programme be £1m per annum, plus 5% (£50,000) for programme administration and 2% (£20,000) for evaluation.

It is suggested that the nominal allocations for each strand of the programme should be:

- £0.4m for capacity building for charities and intermediaries;
- £0.4m for pilot finance for better outcomes; and,
- £0.2m for risk finance

The intended number of grantees for each strand will be:

- No more than 15 organisations per annum for capacity building;
- No more than 15 organisations per annum for pilot finance; and,
- No more than 5 organisations per annum for risk finance.

To encourage organisations to progress from design to test, and beyond, it is recommended that grants be awarded for no longer than an 18 month duration.

Where appropriate, some awards may be recommended to Members on a repayable grant basis. This would depend on the nature of the proposition (for example, if an applicant sought to develop a revenue stream that was likely to generate funds to repay your grant within a reasonable period).

Good practice

Successful applications will clearly articulate:

- Evidence of need for the activity proposed
- Clear description of the activities to be supported
- Realistic budget, time frame and milestones during the grant period
- Evidence of expertise in delivering this or related activities
- Clarity of purpose, next steps and use of outputs from the funded activity
- Consideration of other potential partners and why these have been selected
- End user involvement in the proposal
- Ways to share learning of a non-commercially sensitive nature widely

Management

It is recommended that this programme is advertised with two rounds each year. Following receipt of initial proposals, the Trust expects to work alongside an external steering panel to undertake assessment before presenting the strongest proposals to City Bridge Trust Committee for approval (and the remainder for rejection).

Screening criteria will be published to help guide applicants and, as with your other programmes, feedback to unsuccessful applicants will be available on request.

Evaluation

Officers recommend that funds be available to evaluate the effectiveness of this programme. The evaluation will include an analysis of the quality of proposals submitted, the levels of take up, the extent to which grants attracted new investors and investees, the relevance of the priority areas given other market activity in development, and to track the progress of grantees beyond the financing period.

Eligibility

It is recommended that the eligibility guidance issued for Investing in Londoners applies to this programme. It is further recommended that organisations be permitted to hold a grant under this programme at the same time as holding a grant under another Investing in Londoners' programme. However the programme will not be restricted to current grantees only.