

Local Access Programme

Concept Note for Leicester

Current Situation

The local context

Extract from the LLEP:

“The City of Leicester and County of Leicestershire is worth £23.4bn a year, providing nearly 500,000 jobs and hosting over 42,400 trading businesses – many of which are in the manufacturing and logistics sectors. It has three universities, distribution parks, and an airport. It has a strong manufacturing sector and is home to some major international businesses.

Our area enjoys a central location in the UK with excellent transport links by road, rail and air. The county of Leicestershire has a high quality natural environment, market towns and attractive villages which make for a high quality of life and a draw for tourism and recreation. Leicester city is a key economic driver, a truly international city of culture and a model of community cohesion”.

Whilst this economic summary sounds positive we know that deep down there are entrenched socio-economic issues that need addressing. Investment is not getting where it needs to and it is not delivering social impact. Low wages, low skills and economic exclusion prevails. Leicester City is ranked 21st most deprived in IMD 2015 out of 326 local authorities, compared with 25th in the 2010 Index. Poor mental health, school exclusions, youth offending, child protection, loneliness and isolation, health inequalities, drugs and alcohol, crime, and homelessness are among the many local issues that need addressing.

Our overall goal is ambitious – we want to work with this dichotomy and develop a local social investment strategy and plan that will catalyse change and that will optimise the overall value and impact of capital investment into Leicester and Leicestershire.

Size of the social enterprise market

The Voluntary Community and Social Enterprise sector (VCSE) in Leicester City and Leicestershire is strong, active and diverse.

There are **3295** local VCSE groups on VAL’s database. They can be categorised in size using the Charity Commission divisions as follows:

Charity Commission scale (income p.a.)		% of local VCSE Groups
Micro	£0 to £10,000	43.3%
Small	£10,001 to £100,000	35.5%
Medium	£100,001 to £500,000	17.6%
Large	£500,001 to £5,000,000	2.9%
Major	£5,000,000 plus	0.5%

The two largest areas of work identified are **620** groups working with children, young people and families, and **601** groups working in Health and Social Care.

Since Community Interest Companies (CICs) were introduced in 2012 there are 142 CICs in Leicestershire alone and the numbers are growing each month.

Existing VCSE networks and infrastructure support

There are three main infrastructure support organisations operating in Leicester/shire that support the local VCSE sector:

1. **Co-operative and Social Enterprise Development Agency (CASE)** is commissioned by Leicestershire County Council to provide 'free' social enterprise support to groups based in the county and it provides paid for consultancy business support services. It recently secured a Connect Fund grant to raise awareness about social investment and deliver social enterprise and investment support across the East Midlands.
2. **Reaching People** is a local VCSE member-led consortia that strengthens VCSE organisations through collaboration and partnership to address inequalities whilst supporting people who are disadvantaged locally. Through its consortia model it manages delivery of a large scale BBO contract. It currently has 32 members that work together to:
 - Strengthen the VCSE through capacity building and change management to enable growth and improved provision for the future.
 - Support and enable communities and organisations to influence and improve the way services are provided.
 - Lead on and participate in initiatives that improve collaboration, co-delivery and share expertise, resources and experiences to reach more people.
3. **Voluntary Action LeicesterShire (VAL)** is the local CVS and it is commissioned by Leicestershire County Council and Leicester City Council to represent the VCSE in policy-making, deliver a volunteer centre and provide capacity-building support to groups. It also manages large scale BBO contracts and local VCSE supply chains. It recently received Connect Funds to develop its capacity to support social enterprise business models and develop collaborative commissioning partnerships and projects using social investment models.

VAL and CASE have experience in fund management – managing grant funds and small loans.

All three infrastructure support organisations are interested in being part of a local investment vehicle and developing new revenue models.

Demand for social investment

National evidence suggests that the number of social investments in Leicester City and Leicestershire is low. At the moment, investment is not considered and/ or does not enter the mind-set of most VCSEs. It may be seen as inaccessible, irrelevant and at the far end of the difficulty scale. This could be partly because VCSE groups are not aware of social investment and what it can be used for, or, current supply is not the right type of investment for the local VCSE, or, local infrastructure and intermediary support needs further development and investment.

We know that demand for social investment will increase if the right type of support is provided and if we invest in business development. For example, take up at one the CASE Connect Fund Enterprise

and Investment Workshops was high (15 groups attended) due to good marketing, conveying the right messages and targeting groups.

At the VAL annual VCSE conference, Future Focus, 35 delegates attended the social finance workshop and reported that they wanted to know more in order to fully understand what social investment could do for their organisations. VAL’s Group Support service has seen a 15% increase in organisations asking about or wanting to secure social investment.

During the development process we will consult with local VCSE organisations to further identify their needs through the current Connect Fund project activities and by consulting with VCSE organisations that are at different stages of development and growth.

Partnerships

A first meeting with key partners was held in April to discuss the local access programme. These partners were identified as the main stakeholders and were selected due to their capacity, interests and positioning to take on the work. They were as follows:

Potential partner	Interests	Role in the Local Access Programme
Reaching People	Expanding the consortium & growth of its membership and the sector delivery of more public sector outcomes Delivery of intermediary services	Proposed accountable body Design, delivery & evaluation
Voluntary Action LeicesterShire	Developing resilience & sustainability of the VCSE sector Delivery of enterprise support and intermediary services	Design, delivery & evaluation
Co-operative and Social Enterprise Development	Growth of social enterprises & co-ops Delivery of enterprise support and intermediary services, RP member	Design, delivery & evaluation
Assistant Mayor, Leicester City Council	Addressing local needs, gaps & strategic priorities Leveraging external investment	Design, delivery & evaluation
B-Inspired	Successful application, RP member Power to Change, Empowering Places Catalyst for Leicester – referral for this application for the local Access fund	Design & evaluation
Leicester and Leicestershire Economic Partnership (LLEP).	Economic development and business growth Delivery of enterprise support	Design, delivery & evaluation

We propose a flexible and incremental approach to the partnership that invites others to join as the work unfolds – this will allow both the process and selection of stakeholders to grow as the work develops. We intend to prioritise the development of open and trusting relationships and we are aware that we may need to address some difficult issues – as such we will develop a set of shared values and build in time for reflection and learning throughout the process.

We plan to include and consult with VCSE organisations at different growth stages (start-up, middle stage, growth) as they will have different development and finance needs. We plan to listen carefully to local people – so that we set the priorities for investment and outcomes with them (and not for them). We plan to include the local universities, grant funder/s (for example the National Lottery

Community Fund). We will also include Leicestershire County Council, the Borough and District Councils, local district infra-structure organisations and the CCGs. The inclusion of these organisations is because we understand that change needs to be embedded across the whole local system. We will work at different levels to ensure that this programme is fully linked with the wider system.

We would like to work with external intermediaries and support organisations such as the Key Fund, Resonance and Unltd. However, we will want to ensure that any external support builds on and develops local capacity to deliver the programme. We plan to seek guidance from national, international and local leaders and experts in the impacting investing sector. This will ensure that our approach and model is transformative.

Vision of change

We want to set a new direction and approach to the local economy and use the capital to catalyse change. We want the programme to not just achieve scale and growth of the social economy but to also achieve a level of depth and quality so that investment and social value are optimised. We have a diverse and vibrant local VCSE sector that has established a clear local benefit although to date it has managed to achieve this through grant and contract income. There are currently very few local organisations that have begun to make more of an entrepreneurial impact.

The City Council has a policy of transferring Council assets into community group management – each instance is a potential candidate for social investment. The County Council are looking, to develop more community support for vulnerable people, and some County Library services are transferring to community management.

We have discussed potential priority areas to tackle though we do need more time to identify potential for impact and success. In particular we feel the need to establish a few successful ‘demonstrations’ of social investment to encourage wider ‘buy in’ from the local VCSE sector and local commissioners. Some of our initial thoughts are:

- Exclusion and inequality
- Unemployment, low skills and low pay
- VCSE entrepreneurialism
- Deprived wards with little or no VCSE activity and investment e.g. New Parks, Beaumont Leys
- Technology, skills and access
- Older people
- Young people

We still need to further define the local geography and vision. We will use the development process to explore and investigate the social need and priorities with our partners and take in the full potential of the opportunity. Overall our goal is to define the next steps in impact investing locally and plan how we can achieve the biggest possible social impact with the resources available to us.

Enterprise support

Current enterprise support activity

The two main VCSE infrastructure support organisations are CASE and VAL. CASE currently provides business support for social enterprises and co-operatives and VAL provides generic capacity-building

and training to the wider VCSE Sector. CASE and VAL both recently received Connect Funds to develop capacity to deliver enterprise and investment support and we would like to build on this.

Reaching People is a local consortium that provides organisational development support to its 32 members that have each met certain quality assurance thresholds.

The public sector plays a crucial role as a customer of many social enterprises. However local public sector markets are dominated by large national organisations and/ or contracts have been cut or moved to in-house delivery models. There is a need to support consortia working so that local VCSE organisations, can influence commissioning and join together to increase their chances of the VCSE winning larger contracts, as part of their blended financial models for future success.

The LLEP Growth Hub Business Gateway is another main provider of enterprise support. It has advisers that signpost businesses to training, finance, premises and recruitment etc.

Gaps and New support envisioned

We would like to use the Access Programme opportunity to review and improve existing enterprise support, to improve the customer journey and address duplication and gaps in support. For example, we know that there is limited capacity to help VCSE organisations to become investable. Intensive hand holding is needed as well as skills development in areas such as market analysis, cashflows and strategy development. There is also a need for more business and operational advice – and in particular support to drive social enterprises during initial and growth phases when internal management issues often become a high priority. We need to invest in support for organisations during start up and middle growth stages.

We want to help the VCSE market to function better by developing an end to end enterprise support offer. We also want to ensure a 10- year programme stays flexible and responds both to changing feedback and can be shaped by experience with people we work alongside and engage people and organisations not currently engaged.

Blended finance and social investment funding currently available

Current local sources of funding and finance include:

- Start-up loans – personal loans up to £25,000, a government programme
- Sir Thomas White Loan Company – personal loans up to £20,000
- Leicester City Investment Fund – loans up to £4M with commercial rates for infrastructure, land, property, construction, redevelopment
- Midlands Engine Fund – small business, equity and debt, and investment into infrastructure
- LLEP Growing Places Fund – minimum £500k for constructing, acquiring or maintaining fixed assets, such as land, buildings and equipment

There is a need for different types of funding and social investment that is relevant and accessible to local VCSE organisations that have different needs at different stages in their development and growth. We would like to use the Local Access Programme to stimulate the local market.

Our proposal is to explore a targeted approach, starting with those organisations that are willing to access enterprise and support and investment. We would expect to develop a menu of different types of social investment, relevant to local need. We want to ensure that social investment is on peoples menu of funding options no matter what stage of development and growth.

Proposed types of social investment needed

Type of social investment	Rationale
Repayable grant funding There is the potential to work with other investors/ funders to develop this type of funding.	Repayable grant funding could be the first step towards developing a business and performance mind set. It is likely to result in a large take up and pipeline of groups to work with because it is less risky and groups are attracted to grant funds. There is a good potential to convert organisations reliant on grant funding with a social enterprise approach using this type of funding.
Community shares and community business There is the potential to develop a matched funding model with social investment.	A place based social action programme is a priority for national government and we see this as a potential area to develop locally. Community business and community shares encourage and promote social action and yet local people and groups have little awareness about it.
Quasi equity	Many VCSE groups do not take up finance due to their legal structure and/ or the risk of not being able to pay back investment. Quasi equity addresses this concern. VCSE groups are not aware that this type of investment exists.
Incubator support and seed funding	There are on average 60 start ups each year that have the potential to develop and grow. A focused training and support programme (similar to UnLtd) delivered by local infrastructure support organisations will ensure take up by the right organisations.
Blended finance	VCSE are attracted to grants. The grant element will provide the time and space to develop new business models.

We would like to learn from others and explore a model that has elements of the Bristol and Bath Regional Capital model and the Greater Manchester Centre for Voluntary Organisations model.

Voluntary Action LeicesterShire, Reaching People and Co-operative and Social Enterprise Development Agency all have experience in managing grants and small loans. Reaching People had some success in securing funding from Commissioning for Better Outcomes for the City Council to develop a local social impact bond. The options and models for an intermediary and local investment vehicle need to be explored and appraised fully during the development phase and we would welcome support to build local capacity.

We plan to work with the LLEP, local government, private investors and philanthropy to identify opportunities to co-finance and pool investment so that more social value is created.

The partners contributing to the discussions for this paper were

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