PRIMED FOR GROWTH

ADVENTURE CAPITAL FUND BASELINE REPORT

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Contents

Figures and Tables:

Primed for Growth
Adventure Capital Fund Baseline Report

Executive Summary

Introduction

In early December 2002, the Home Office Minister, Lord Filkin, launched the Adventure Capital Fund (ACF). This fund provides the opportunity to pilot a range of approaches to investing directly in independent community-based organisations working in area of disadvantage.

Community enterprises are independent organisations which undertake social and economic activity and take as their area of benefit the neighbourhoods in which they are based or the communities they serve. The surpluses they generate are invested in local community or neighbourhood activity or are reinvested in the parent organisation. The aim of the ACF is to increase the capacity, accelerate the growth and secure the operational base of these organisations

The Offer

The Adventure Capital Fund offers:

A £360,000 Bursary fund to invest in approximately 20 revenue bursaries, each up to £15,000. The bursaries are intended to strengthen the organisational capacity of an organisation and assist in the development of its investment readiness and
A £2 million Patient Capital fund to invest in 10 capital investments with a ceiling of £400,000. The Patient Capital investments are designed to establish/strengthen the asset base and increase the scale of operations of the selected community enterprise.

The ACF is delivered by a community sector partnership comprising Local Investment Fund (LIF), Development Trust Association (DTA), Scarman Trust (ScT) and the New Economics Foundation (NEF), with the active participation of the Active Community Unit of the Home Office.

The designers of the ACF programme have incorporated a number of process elements designed to strengthen the delivery process. The introduction of the Supporters programme, the use of balanced score cards, the exploration of measures of social impact, the development of strong interlocking partnership arrangements and an innovative approach to the evaluation process invests the ACF with a structure which has the potential of being both robust and supportive.

Selection Process

Fifty-eight Bursary applications were received by the relevant closing date in January. The Bursary applications covered a wide range of organisational development issues but management systems, human resources, asset development and business planning accounted for 87.5% of the total. The selection process was dealt with by regional panels and each application was assessed against common criteria. The applications had to show social impact, economic return and diversity. They also had to have a strong community dimension, an ability to generate revenue and a potential for increasing organisational capacity. In addition, the selection panels were interested in replicability and wanted an assurance that there were not obvious alternative funding streams to support the application.

By the end of March, letters offering Bursary grants had been sent to 19 successful organisations.

Thirty-eight Patient Capital applications were received. The total capital value of the planned investments was £46.6 million and the anticipated call on the ACF fund was for £10.7 million.

Each Patient Capital application was judged against the same set a set of criteria used for the Bursary applications and 15 were short-listed for further consideration. The final selection process was driven by the quality and clarity of the applications and the need to keep commitments within the limits of the ACF. In the event 10 organisations were selected for funding.

The successful applications can be divided into two broad categories: proposals for business development and proposals for physical development. Each of these can be further divided into two strands. Within the business development strand, it is possible to identify business start-up and social banking as separate entities. Within the physical development strand, it is possible to distinguish between community resource centres supported by workspace projects and workspace projects supporting community development programmes.

The selection process has generated a range of different Patient Capital interventions. Half the ACF Patient Capital fund has been allocated in the form of deferred payment loans with repayment holidays of between three and five years and a third has been allocated in the form of non-repayable grants. 45% of ACF investment fund is in the form of loans that for the most part have a 1% per annum interest rate. Two of the investments might generate rates in excess of 2% per annum. These take the form of ‘participating’ loans where the ACF will receive a percentage of the income generated subject to an agreed cap on the overall return.

Since the offer letters were issued, progress has been made on finalising the loan agreements and the appointment of the Supporters. In May, a gathering of those organisations that are to receive Patient Capital took place in Bradford - hosted by one of the successful applicants. The gathering provided an opportunity for the organisations to meet each other and establish a shared understanding of the content, purpose and timetable of the ACF programme.

Early Observations

ACF is a sophisticated and highly focused programme. It has benefited from the emergence of two significant groupings with a shared interest in the development of an investment culture within the community sector. Within central government, aspects of the policy agendas of the Home Office, Office of the Deputy Prime Minister, the Department of Trade and Industry and HM Treasury have converged over the last two years. Within the community sector, the New Economics Foundation, Scarman Trust, Development Trusts Association and Local Investment Fund have developed constructive working relationships and also have initiated a number of joint projects. Both of these developments have increased the level of dialogue, working relationships and trust and have facilitated the development of the ACF programme.

It has been a significant feat to bring together a coalition of funding agencies and a coalition of delivery agencies and to get the ACF programme signed off ready for implementation within a six month period. Although the process was highly pressured, the applications indicate a significant level of demand. ACF was over subscribed several fold for both the Bursary and the Patient Capital strands of the programme. On the Patient Capital side, the anticipated call for funds represented more than a fivefold over bidding for the available ACF funds.

The selection process indicated that the participating organisations have embarked upon a significant organisational and cultural journey. For many, a step-change took place during the short-listing and final selection stages. Leading community enterprise practitioners are beginning to consider alternatives to grant funded, arithmetically balanced approaches in order to meet their asset development objectives. This places added importance on the role and identity of the Supporters. They will have a critical role in the success of the ACF programme

At the outset, many of the applicants were unwilling to consider contractual relationships that entailed repayment of the capital or the payment of interest and many of the applications were couched in terms of gap funding rather than investment proposals. This in part explains the high proportion of low or no return investments within the ACF portfolio in this initial round. It also gives added emphasis to the need to establish robust measures of significant social returns on the capital invested. The later stages of the ACF will need to focus on this aspect of the programme.

Next Steps

The ACF programme coincides with a surge in interest in the potential of social enterprises, and hence community enterprises, to be recognised as significant generators of wealth in an increasingly diverse economy. The ACF programme has therefore attracted the interest of a number of stakeholders in the public, private and voluntary sectors.

Evidence from the ACF programme so far has shown that there is a significant demand for a range of Patient Capital products and has begun to identify some of the main characteristics of the demand and supply side aspects of the market.

The emphasis during the implementation phase will be to establish whether the ACF interventions deliver the anticipated benefits. For this to happen, the programme will need to focus on delivering against its immediate milestones. The Bursary projects need to work through to completion. The loan and social impact agreements for the most advanced patient capital projects need to be put in place. The Supporters need to complete their initial assessments and begin the process of delivering the support programmes that will meet the short and medium-term needs of the participation organisations.

If successful, the ACF will help generate the evidence necessary for government, corporate and charity sectors to make long-term investments in community enterprises. That investment will allow these organisations to develop their capacity sufficiently to cross the threshold of grant dependency and institutional fragility to become sustainable through a blend of self-generated and earned income.

Introduction

On 6th December 2002, the Home Office Minister, Lord Filkin, launched the £2.5 million Adventure Capital Fund (ACF). This fund provides the opportunity to pilot a range of approaches to investing directly in independent community-based organisations that are working to bring about the social, economic and physical renewal of the areas of disadvantage in which they are located. The aim of the ACF is to increase the capacity, accelerate the growth and secure the operational base of these organisations.

The initiative has been developed by a partnership between the Home Office's Active Community Unit (ACU), the Office of the Deputy Prime Minister's (ODPM) Neighbourhood Renewal Unit (NRU), the Department of Trade and Industry's (DTI) Social Enterprise Unit (SEnU), four regional development agencies (RDAs)[1], the Local Investment Fund (LIF), the Development Trusts Association (DTA), the Scarman Trust (ScT) and the New Economics Foundation (NEF).

It was agreed that the ACF should be closely and independently evaluated in order to establish the effectiveness of the alternative support and investment approaches being piloted. This report describes the position at the point that the allocations of both the Bursaries and the Patient Capital have been made and the programme moves into the implementation phase. The report is divided into five sections. The first two describe the content and main components of the ACF programme. The second two describe the progress to date and outline some early observations. The last section identifies the next immediate steps.

Context

Almost every city and large town in the UK includes at least one medium-sized community-based organisation that makes a major contribution to neighbourhood and civic renewal. These hubs of activity possess high levels of organisational capacity and can offer a wide range of services. Many have managed to achieve a significant degree of self-sufficiency.

These organisations in many ways belie the policy consensus that, until recently, has dominated the consideration of wealth creation. That consensus has held that private sector activity focuses on economic return and public and charitable sector activity focuses on human needs and social return. These have been seen as two distinct and frequently opposed markets. Many community-based organisations, however, combine both traditions.

These organisations are of particular relevance in the current policy debate. Today, there is recognition that private sector activity has significant social consequences and traditional welfare models of service delivery do not always meet the needs of a rapidly changing society.

Agencies and organisations across the government, corporate and voluntary sectors are actively exploring a wide range of socially inclusive and environmentally sustainable models of wealth creation. Forster et al argue that 'such initiatives can be characterised, and measured, in two ways:

> <u>socially responsible activity</u>, which pursues a financial return on capital, traditionally understood, but within a framework of social and environmental standards.
>
> <u>socially directed activity</u>, which pursues a return on capital where this is more widely defined to integrate social and environmental outcomes.[2] '

Socially responsible activity is the realm of most corporate responsibility agendas. Socially directed activity, on the other hand, covers much of the work of 'social enterprises'. These organisations generate earned and self-generated income but, unlike their private sector counterparts, their primary aim is to address quality of life issues rather than maximise profits or financial returns.

A simple graph, which combines both social (Rs) and economic (Ri) returns (Figure 1), allows different combinations of economic and social activity to be considered within a continuous spectrum. Between the traditionally recognised realms of private gain and public good, a new market of social investment is in the process of being articulated. This is an area of activity that has a long history but its relevance to, and implications for, mainstream policy has only recently been recognised.

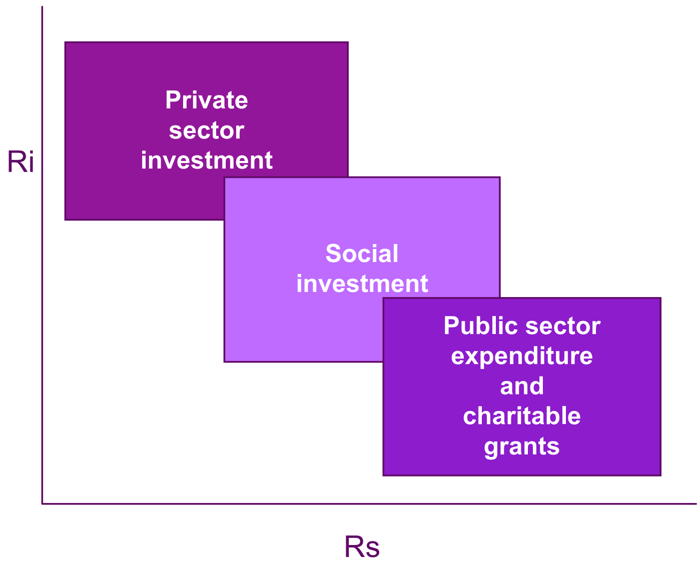
The scope of this new market is broad. It can help:

- drive up productivity and competitiveness
- create socially inclusive approaches to wealth creation

- enable individuals and communities to regenerate their neighbourhoods
- develop an inclusive society and active citizenship[3]

This market is also diverse. It encompasses the activities of local community enterprises as well as large scale organisations operating regionally, nationally and globally.[4] Community enterprises are independent organisations which undertake social and economic activity and take as their area of benefit the neighbourhoods in which they are based or the communities they serve. The surpluses they generate are invested in local community or neighbourhood activity or are reinvested in the parent organisation.

Figure 1: Investment Spectrum



In aggregate terms this market is already significant and it is recognised that it requires its own facilitating infrastructure. A number of important building blocks have already been put in place. The Department of Trade and Industry (DTI) has established the Social Enterprise Unit (SEnU) to champion social enterprises cross government. Within the Home Office, the Active Community Unit (ACU) has a central role in developing a resilient civil society. Its brief includes facilitating the growth of capacity within the community sector and the creation of a sustainable infrastructure. The HM Treasury's (HMT) Cross-Cutting Review has identified the potential of social enterprises to deliver a range of services funded through taxation. In addition, HMT has facilitated the creation of community development finance institutions (cdfis) to provide loan funds to social enterprises and has introduced Community Investment Tax Relief, which facilitates private and corporate sector investment in cdfis and individual social enterprises. The ODPM, through the NRU, recognises the role that community and social enterprises have to play in the renewal of disadvantaged neighbourhoods.

Current activity has centred on two important and complementary strands. The first has been to facilitate the creation of small-scale community-based organisations. The second has been to assist well-established community and social enterprises to gain access to 'close to market' services. Both of these initiatives offer the potential for showing an immediate impact.

Community-based practitioners, however, contend that there is a major funding gap that hinders medium-sized community enterprises developing their organisational capacity and achieving scale and financial stability. They have argued for the introduction of a range of facilitating instruments to overcome these barriers. Of these, organisational development grants and availability of patient capital are seen to be of critical importance. Organisational development grants focus on enabling community-based organisations to achieve investment readiness and patient capital investment offer below-market financial products which would enable these organisations to cross the threshold from grant dependency to self-sufficiency.

The Adventure Capital Fund (ACF) has been established to test the market for these two products. In the next section, the content of the ACF programme is outlined along with the process elements that have an important bearing on its delivery.

1 Adventure Capital Fund

Content

The Adventure Capital Fund is central and regional government's first attempt to establish a specific vehicle with the capability to provide long-term Patient Capital investment for the development of community-based organisations. The ACF comprises five elements:

£360,000 Bursary fund to support revenue bursaries which will strengthen the organisational capacity of an organisation and assist in the development of their investment readiness;
£2 million Patient Capital fund to support investments that will establish/strengthen the asset base and increase the scale of operations of an organisation;
£100,000 Supporters programme for the organisations included in the ACF programme;
£235,000 budget to manage the ACF programme; and
£64,500 to evaluate the ACF process.

Patient Capital has a number of characteristics. It is long-term and is applicable to both start up and step-change investment. It is made available at heavily discounted rates of return in recognition of social impact achieved. If structured as debt, Patient Capital can be associated with both capital and interest payment holidays. If structured as equity, the investor does not take control over the activity and does not require an implicit exit strategy in case of failure. Investors are willing to accept a lower than market financial rate of return, or indeed no return, in order to support the organisation's social mission. Where Patient Capital takes the form of a grant, it can be either recoverable or non-recoverable, depending upon the circumstances.

It was anticipated that there would be up to 10 Patient Capital investments with a ceiling of £400,000 and approximately 20 bursaries up to £15,000 each. Summaries of the organisations and projects selected for Patient Capital funding are contained within the text boxes distributed through this report and the Bursary recipients are summarised in the text boxes on pages 27 - 29.

Timetable

The ACF timetable has been hard driven. The initial proposals for the programme were developed in July 2002. NRU and ACU funding support had been secured by September. Individual RDAs were approached and four had agreed to participate by the time all the necessary HM Treasury approvals had been obtained.

The ACF programme was launched on 6th December. It was publicised on Regen.net, the Home Office web site, in the trade press and through the networks of the main stakeholders. Patient Capital applications had to be received by 9th January and Bursary applications by 20th January. All expenditure had to be committed by 31st March.

David Blunkett, the Home Secretary announced the ACF allocations, in April. The organisations receiving Patient Capital funding participated in an induction day in May. In July, the Home Office/ACU, ODPM/NRU and DTI/SEnU will jointly sponsor a work-in-progress conference on Patient Capital, which will draw on some of the early experience of the ACF programme. The Evaluation Team will produce an interim report in October with a final report and conference to follow in June 2004.

Purpose

The ACF is both a demonstration project and a development initiative.

As a demonstration project it is designed to test the on-the-ground demand for discounted debt finance and other Patient Capital products identified by practitioners. If that demand is proven, the ACF is expected to generate evidence of successful practice. These examples will be widely disseminated in order to raise awareness of the applicability of the various models among potential funders and community enterprises alike.

However, it is recognised that the market is only partially developed. The ACF, therefore, also has a strong developmental strand. It is anticipated that an analysis of the community enterprises and the projects included in the ACF will help establish the broad demand and supply side characteristics of the market. Secondly, it will provide an indication of the level and intensity of support required by community enterprises in order that they have the appropriate level of organisational and business skills for the projects that they are seeking to undertake. Third, as the investment funding is being made at discounted levels of return, the ACF will also explore mechanisms that will help capture the social return of the activities that the community enterprises undertake.

Stocksbridge Training and Enterprise Partnership, (STEP) Sheffield

Stocksbridge is a small industrial town situated some 10 miles to the North West of Sheffield City centre. It has a long but declining association with steel manufacture and heavy industry. STEP was established in 1997 with the generic objective of social and economic regeneration of the town and surrounding area. It has grown rapidly and successfully to become a major player in the town.

Three years ago, STEP purchased and refurbished a vacant Miners welfare hall. This is operated as a community resource centre and provides the base for an Early Steps nursery and STEP's training and other community economic development activities. It has subsequently built a 12,000 sq. ft. office and workspace development, which it also manages. STEP's annual turnover is in excess of £500,000 and it has an asset base of £1.7 million.

STEP's third capital investment project takes the form of 35,000 sq. ft. incubation and 'grow-on' accommodation plus administrative and support facilities. The project, which has the potential to establish 115 local jobs, already has a number of confirmed anchor tenants.

Nearly £3 million of the required £3.4 million to build the development has been assembled through grants from ERDF, Yorkshire Forward and DTI. STEP's application to the ACF was for £445,000 to cover the cost of land purchase and associated fees. Separately LIF has agreed to consider a £200,000 loan.

Since STEP's application has been received Corus has announced its intention to close the last steel plant in the town.

Loan/Grant Conditions

- £200k 10-year repayable grant, repayment through 'in-kind' technical and business support

Organisational Development Targets

- Deepen management base
- Develop human resources management capability to reflect new activity levels
- Establish quality assurance systems

Business Model Targets

- Introduce business and community outreach programme
- Develop business support packages
- Expand vocational training programmes

Social Impact Areas

- Training programmes
- Jobs created
- Workspace development

The text box on the left provides a brief description of the participating organisation and outlines the submission made to the ACF Investment Panel. The text boxes on the right summarise the terms of the Patient Capital grants/loans made by the ACF, the organisational and business model targets derived from the balanced score cards and the areas of activity where the participating organisation wishes to develop social impact measures.

There is a fourth important aspect to the ACF. It is an important example of a step-change programme. In this context, the ACF has developed extensive partnership mechanisms - within government, within the community enterprise sector and between government and the community enterprise sector. The intention is that these partnerships will be transparent, carry low transaction costs and manage risk effectively. The ACF has also adopted an innovative and participative approach to monitoring and evaluation. This requires that the evaluation process takes place in real time and permits the lessons learned to be built in as a positive feedback loop while the ACF is still running.

Potential outcomes

The ACF has an ambitious remit. The Bursaries and Patient Capital investment strands will test a number of finance and support packages and help foster an investment culture within the social economy. The examples of successful practice will contribute to a wider understanding of the benefits that investment in the organisational capacity and asset base of community enterprises can bring to tackling social exclusion at the local level.

If successful, the ACF will generate the evidence necessary for government, corporate and charity sectors to make long-term investments in community enterprises. That investment will allow these organisations to develop their capacity sufficiently to cross the threshold of grant dependency and institutional fragility to become sustainable through a blend of self-generated and earned income. Examples of where this has happened show that these organisations are capable of providing significant services and community and economic development activity within disadvantaged areas across the UK[5].

In order to ensure that the ACF can meet these important objectives it includes a number of important process innovations. These are outlined in the next section.

Action for Business (Bradford) Ltd

ABL was established in 1992 in the Manningham area of Bradford. It conceived the Carlisle Business Centre (CBC) and has managed it since its completion in 1996. CBC offers 100 offices, workshops and craft units for small businesses and community sector organisations many of which are BME enterprises drawn from the locality. CBC also provides a community café and a range of conference and storage facilities. CBC cost £4.3 million to build with part funding from ERDF and is owned by the local authority.

In addition to managing CBC, ABL also runs a programme of seminars, exhibitions and conferences. It also provides business support to tenant organisations and has developed its own community development programmes. ABL has an annual turnover of between £200 - £300,000 and employs 11 f/t and p/t staff.

It is a mature organisation which provides accountable body function to smaller local organisations. It is now in a position to take over the ownership of the building and the local authority is a willing vendor as CBC is no longer eligible for government grant. The purchase price recognises ABL's contribution to the project and is based on the capitalisation of the projected rental income levels.

The local authority initially agreed to take a premium payment of £550,000 plus an annual rent of £18,000 for 25 years. Alternative repayment options are now being finalised with the Council. ABL has also negotiated a £275,000 loan with Barclays Bank at base plus 1.25%.

The acquisition of CBC will secure the capital asset base of ABL, nearly triple its turnover and double its projected surplus.

ABL applied to the ACF for a £200,000 grant and a £200,000 loan.

Loan/Grant Conditions

- £300k 5-year loan with an interest rate of 1% per annum and either
- Bullet repayment at end of year 5, or
- Creation of local investment fund making cash and/or in-kind investments in local community organisations

Organisational Development Targets

- Deepen asset and human resources management capabilities to meet new levels of activity
- Develop marketing capability
- Strengthen management information systems

Business Model Targets

- Undertake refurbishment programme
- Develop prospective and existing tenant services
- Complete staff appointment programme

Social Impact Measures

- Advice and support to individuals, community groups and businesses
- Impact resulting from change of ownership
- Accountable body function

2 Main Components

The designers of the ACF programme recognised that many initiatives, having identified the goals and allocated the funds, fail to achieve their planned outcomes because they have not given sufficient attention to the process of transition. The ACF programme, therefore, incorporates a number of process elements that are designed to buttress the programme.

Supporters

All the organisations participating in the ACF programme have the ambition to turn the visions they have for themselves and their communities into practical realities. No matter how well mapped, they are embarking on a journey into the unknown, where they will all be operating close to and beyond the limits of their experience. For some it will be the question of scale that is daunting. For others it will be learning new skills.

The journey can take many years and many of the obstacles encountered will be substantial. Experience also shows that ambition, enthusiasm and commitment are not always sufficient to resolve apparently intractable problems. There have been numerous experiments in mentoring and buddying but there is no systematic programme to provide support to community and social enterprises on their journey to sustainability.

The ACF is testing an approach whereby a dedicated Supporter is assigned to each of the Bursary and Patient Capital recipients. The Supporters will be experienced practitioners who can advise, support and challenge.

The specification for the Supporters is demanding. They will be expected to have:

- a commitment to engendering self-sufficiency
- a grounded knowledge of all aspects of developing community enterprises
- access to a wide range of technical support tools and contacts
- the capacity to develop proposals that are tailored to specific circumstances
- the ability to form responsive, tenacious, proactive and trusting relationships

The ACF is piloting three different approaches.

Bursaries
The regional panels will identify and assign a Supporter to each Bursary recipient. The role of Supporters is to help the organisations make best use of the Bursaries and help them improve their investment readiness. They will:

1) Agree and sign off the expenditure plan

2) Provide support in the following areas:
   - organisational health
   - business development
   - financial performance
   - social impact of and organisation’s activities

3) Provide feedback to the regional panels and the Evaluation Team on progress and outcomes.

The regional panels will also organise gatherings in order to facilitate the exchange of experience and learning.

Patient Capital
The Patient Capital projects have either a physical or a process orientation. The physically-orientated projects include a significant workspace element and the process-oriented projects have a significant business development aspect. Two approaches to the provision of supporters, which reflect this difference in orientation, are being piloted.

<u>Workspace Group</u>
The organisations in this group are deemed to have sophisticated networks in place and therefore a "light touch" approach is being adopted.

May - July: a "diagnostic visit" from one or a combination of staff drawn from the DTA senior management team. This would take the form of an in depth discussion of the project and specific support needs that are identified;

August - April: Supporters broker expert support where required through the DTA network of practitioners (there may be a link to the EQUAL programme in which the DTA is also involved)

<u>Process Group</u>
It is anticipated that this group will require a more intense level of support. A team drawn from the senior management team of the Scarman Trust will deliver the *CanDoAbility* support programme. This is designed for social enterprises that need to develop or consolidate a viable business model. It is a three-stage process.

Fairfields Materials Management (FMM), Manchester

FMM has grown out of Fairfield Composting (FC) which was established in 1996 to promote home and community composting.

New Smithfield Market, Manchester's wholesale fruit and vegetable markets sends 5,500 tonnes of waste to landfill sites each year, fruit and vegetables account for 80% of this. The EU Landfill Directive will require landfill use for such waste to be reduced by 25% by 2010. Charges to market traders are set to double again in the following 5 years if an alternative to landfill is not found. FC researched and developed a sustainable zero waste management system and created FMM as the delivery vehicle.

FMM comprises two elements. First, FMM will act as the developer to install the waste management system at Smithfield Market. Second, once installed, FMM will operate the system and produce peat free compost for local sale - currently it has a verbal agreement with Manchester Parks. FMM has a five-year business plan to cover Manchester's other markets and a number of supermarkets. It also intends to market the system throughout the North West and further afield. If successful in this venture, it will sponsor the creation of independent locally owned social enterprises to operate the completed installations.

Over the last two years, FMM has assembled £200,000 from NDC, ERDF and the Land Tax Credit Scheme (LTCS) to undertake the development work and to purchase its first vertical composting unit (VCU). The next stage is to install a second VCU at Smithfield Market. This phase has been severely delayed by the proposed restructuring of the LTCS. This has implications for FMM's continued growth and long-term financial viability.

FMM has only just begun trading. It has the organisational support of EMERGE, a recycling social enterprise also based at New Smithfield Market, and Social Cities Enterprise, a social enterprise support agency and Manchester Markets.

The Application for ACF was for £180,000 loan and £45,000 grant. The loan was to finance the acquisition of the second VCU (£100,000), ancillary equipment for the first VCU (£55,000) and site purchase (£25,000). The grant was to support revenue expenditure on staff costs and further research and development.

Loan/Grant Conditions

- £80k grant for site development and purchase of ancillary equipment. 'In kind' investment return conditions to be agreed
- £120k 10-year loan at 2% per annum interest
- Interest payment and capital repayment calculated as a royalty on sales

Organisational Development Targets

- Strengthening of management board
- Development of financial management systems to match new levels of activity
- Broaden skill base of management team

Business Model Targets

- 6 month review of business plan
- Complete site lease
- Bring second VCU on-stream
- Secure additional buy-in from market traders

Social Impact Measures

- Training and work placement programme
- Jobs created
- Landfill avoidance programme

*Stage 1 CONTEXT>ANALYSIS>NEEDS **(C>A>N)***

This entails a layered assessment of an organisation's present situation. The Context element takes the form of an audit of the present management systems, key players, finances, governance systems, communication processes, and motivation of members of the organisation. Analysis of Needs element identifies current perceptions of the key priorities and issues. The **C>A>N** approach aims to get inside the enterprise's culture, language and mindsets. It can be formal or informal, complex or relatively straightforward.

Stage 2 ACTION CONVERSATION

An 'Action Conversation' is based around 14 key drivers of a social enterprise and takes place between the Supporter and one or more key players from the organisation.

Again this can be as simple or complex as befits the situation.

*Stage 3 ACTION LEARNING TRIOS **(A>L>T)***

The Supporters will introduce the Action Learning Trios as the third component of *CanDoAbility* support programme. An **A>L>T** is an 'dynamic learning system' based on three key roles:

- Solution-finding: how can we improve?
- Challenging: will it work?
- Supporting: making it work

By the time the Supporters' involvement concludes, the **A>L>T** system will have been firmly embedded in the client enterprise.

In October 2003 and April 2004, the DTA and the Scarman Trust (ScT) will convene a gathering of the 10 Investment organisations and other interested stakeholders in order to compare progress and share experience. The Supporters will provide formal feedback to the Evaluation Team on progress during and at the end of the programme.

Balanced Score Card

In seeking to develop an investment culture, the ACF programme has elected to use the 'balanced scorecard' approach to articulate and then to monitor performance of each Patient Capital beneficiary.

A balanced scorecard provides a simple mechanism that allows managers to hold a range of financial and non-financial performance measures in place at the same time. The approach was developed by Kaplan and Norton in the US in the mid-1990s[6] for the private sector. It focuses on four key perspectives - *financial*, *operational*, *customer perspective* and *growth*. These four areas are represented as fields of activity where a company can identify a relatively small number of goals and associated performance measures.

The balanced scorecard approach attracted a great deal of attention as it permitted financial and non-financial goals and measures to be considered within a consistent framework. Also 'for managers lost among the myriad trees of conflicting priorities and measurement, this was a map of the woods.'[7]

Balanced Scorecard and the Adventure Capital fund
Pike has adapted the balanced scorecard model to make it applicable to community enterprises.[8] First, he has collapsed the separate boxes into the equivalent of a window with four panes. Next, he has replaced the Kaplan and Norton categories with others more suited to the needs of the ACF. Pike's *Business Model* and *Financial Return* categories most closely resemble Kaplan and Norton's *Business Perspective* and *Financial Perspective* boxes. *Organisational Development* and *Social Return on Investment* (SROI) are concepts particularly relevant to community enterprises. *Organisational Development* seeks to identify the increases in organisational capacity that are taking place within a community enterprise. The *Social Return on Investment* seeks to capture the value of the benefits that accrue to a wider constituency as a consequence of the existence and interventions of a particular community enterprise.

Moss Side and Hulme Community Development Trust, Manchester

Moss Side and Hulme Community Development Trust (MSHCDT) was established in 1989. It has grown organically and has a membership base of 800 local people and organisations. It operates in some of the most disadvantaged neighbourhoods of Manchester serving, in the main, the local African Caribbean communities. It provides employment advice, job search assistance, a mentoring project, training and skills development, including an ICT learning centre. It also supports local community organisations and businesses through a small number of lettable units, plus advice and guidance.

MSHCDT has an annual turnover of approx. £230,000 and an asset base of £400,000.

The surrounding area has been the focus of a great deal of capital investment in recent years. Nevertheless, although well established and enjoying the confidence of local people, MSHCDT has found it difficult to gain necessary institutional support to develop its own largely derelict site or take over the ownership of the lease from the local authority.

The Windrush Heritage Project represents MSHCDT's attempt to fulfil this vision. It is a three-story development, which will provide the Trust's administrative offices, dedicated accommodation to deliver its existing and additional services and a separate scheme of 20+ workspace units for local businesses.

A £1.5 million grant from the Millennium Commission covers half of the project costs. Kellogg's, City College Manchester and the Trust itself have also contributed a total of almost £100,000. Applications to the ERDF for £1 million and NWDA for £316,000 were pending before the ACF offer. There was a funding gap of approx. £300,000.

The scheme, although well supported and viable, is vulnerable. Without the gap funding in place, the ERDF and NWDA applications will not be approved and the offer from Millennium Commission will be allocated elsewhere. Funding from the Manchester City Council is not available, as any potential funding has already been committed.

MSHCDT's application to the ACF was to cover the full shortfall of £320,000 in the form of a grant. As a result of ACF support, ERDF and NWDA have given positive responses to MSHCDT's applications and the Millennium Commission has confirmed its funding.

Loan/Grant Conditions

- £150k 10-year repayable grant, repayment through 'in-kind' community counselling and support
- £150k 10-year loan at 1% per annum interest and with a 5-year capital repayment holiday

Organisational Development Targets

- Strengthen the management board
- Develop facilities/property management capabilities
- Enhance human resources management capability
- Establish partnerships with key stakeholders

Business Model Targets

- Acquire site and let and manage construction contract
- Grow community learning programmes
- Develop business support packages
- Appoint facilities management staff

Social Impact Areas

- Advice and support to individuals
- Business support programmes
- Change to social ownership
- Jobs created

Figure 2: Balanced Scorecard: Private Sector Model

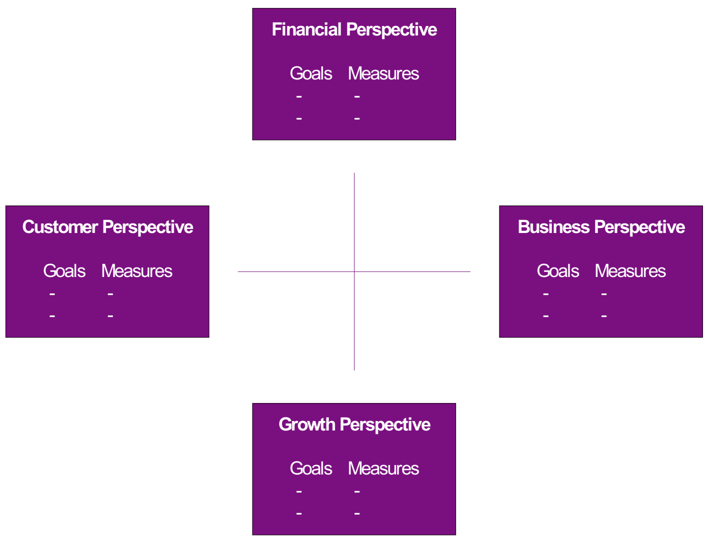
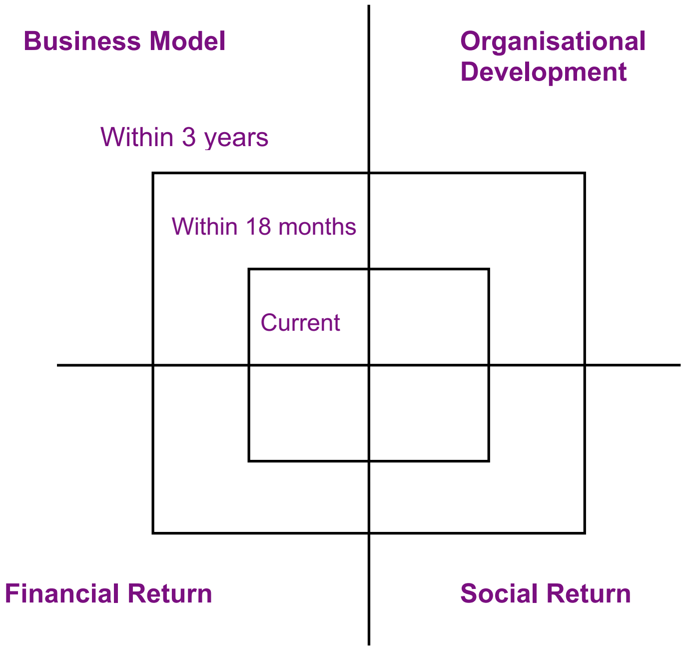


Figure 3: Balanced Scorecard: Community Enterprise Model



Pike has further developed the approach - borrowing from Tony Gibson's ideas of *Now, Sooner, Later* - by establishing three concentric boxes. The innermost box presents a picture of the current situation. The middle box provides an indication of where the community enterprise wishes to be in 18 months time and the outermost box provides an estimated level of activity at the end of a three-year period.

The balanced score card approach provides a generic framework that can accommodate a wide range of community enterprises. It also allows each community enterprise to identify goals and measures of success that are most relevant to their situation. However, there are also potential limitations. First, unless community enterprises appreciate its benefits, the balanced scorecard approach will remain an abstraction. Second, the gathering and analysis of the data necessary to make the approach work should not impose an unsustainable burden on the community enterprise. The benefits need to be positive, obvious and heavily outweigh the costs.

Social Return on Investment

In terms of resource use, social and community enterprises are seen as sub-optimal when compared to organisations that maximise financial return, as there is no accepted mechanism for accounting for the social benefit/costs of any particular venture. Without an approach that measures the social return on investment (SROI), these enterprises will consistently be operating at a disadvantage when arguing for an investment in quality of life issues. The ability to measure SROI will also be of benefit to policy-makers and funders as it can help to foster a more efficient capital market for voluntary sector and social enterprise activity.

The climate is ready for making a start on the measurement of SROI. Best Value and the raft of new indicators across the public sector reflect a serious attempt to grapple with the complexities of service delivery. The voluntary sector is also exploring, through bodies such as the Community Fund, concepts of 'outcome funding'.

Croxteth Community Trust, Liverpool

Croxteth Community Trust (CCT) is the anchor organisation of the Neighbourhood Services Partnership (NSP). CCT was established in the mid-1980s and has a 999-year lease on a former old people's home. This is the base for the Comm-university, a life long learning campus for adult and continuous learning. CCT has contracts with Liverpool City College, WEA, Women's Technical College and Learning Skills Council

NSP's other two components are:

Neighbourhood Services Company Training (NSCT) provides vocational training and work experience for 18 - 25 year olds intending to work in information technology, construction, bus driving, class room assistance and landscape gardening. Over the last three years, over 200 young people have undertaken NSCT training programmes with 50% moving into permanent employment. CCT and NSCT collaborate in the delivery of vocational and basic skills training.

Neighbourhood Services Company (NSC) establishes and manages a range of separate projects dedicated to providing local services. Currently, these include landscape gardening, building maintenance, ICT installation, catering and web design. NSC is a work placement provider for NSCT. It employs 20 full-time staff and can have up to 20 placements at any given time.

Although separate entities, the three organisations work together to provide pathways of personal development and to create sustainable local employment. The three organisations share trustees/directors and operate out of the same building. They are financially and organisationally interdependent and come together in the NSP, which acts as the vehicle for co-ordinating activities and strategic development. The annual turnover of all three organisations is in excess of £1 million.

The application to the ACF was for £200,000 gift capital. This would be used with funding from ERDF to upgrade the Communiversity building and to renovate two other buildings. The two additional buildings would provide the operational premises for NSCT and NSC. Each component of the NSP would then have a dedicated building as a base for further expansion.

Loan/Grant Conditions

- £100k 10-year repayable grant, repayment through 'in-kind' community counselling and support
- £100k 8-year loan at 1% per annum interest and with a 3-year capital repayment holiday

Organisational Development Targets

- Articulate NSP group structure relationships
- Strengthen group financial management systems
- Establish dedicated site management teams

Business Model Targets

- Launch music studio
- Accreditation of construction industry and environmental training programmes
- Establish market for individual NSC companies

Social Impact Areas

- Training and work placement programmes
- Jobs created
- Community safety
- Inward investment generated

Similarly, the ‘triple bottom line’ is a field of experimentation in socially responsible business. The second ‘exposure draft’ of the Global Reporting Initiative represents an emerging template for large-scale enterprises to assess and report their social, environmental and economic performance (www.globalreporting.org). The pioneering work of the New Economics Foundation (NEF) in the field of ‘social reporting’ is now being taken further by AccountAbility (www.accountability.org), the professional institute that measures the social impact of organisations.

These approaches have established a number of analytical tools but they lack a methodology for integrating social and financial return and they do not typically operate at a summary level and therefore militate against comparative evaluations.

A number of exploratory methodologies have been developed both here in the UK and in the US, which permit the blending of financial return (Ri), and social return (Rs). SROI can be defined as a performance ratio for the achievement of positive social benefits (or reduction in negativities) in relation to the input of initial financial capital. The total return on investment is calculated when the financial return and social return are aggregated.

NEF’s Pilot SROI Programme

NEF is currently developing a methodology to measure narrow SROI. Narrow SROI is defined as the net present value of a stream of future costs and benefits that are real-world secondary economic impacts of a particular activity. This methodology is being developed in conjunction with five pilot organisations that represent a range of sectors and social impacts.

Narrow SROI represents a sub-set of wider social impacts and taken alone is not a sufficient measure of an organisation’s value. Nevertheless, it provides a simple measure of return on investment that can be used within a wider context of organisational performance and impact analysis. That wider analysis can include narrative description of an organisation’s activities and performance, as well as wider social and financial indicators (such as those developed under the balanced scorecard approach).

Initial findings have validated the methodology and have also shown that social return can be calculated in a relatively straightforward way at different levels of sophistication. For example, at a basic level it can measure cost per job and net benefit per job. A more sophisticated level of analysis can look at the effect of deadweight (to what extent would an intended change have happened anyway without the programme) and net present value of future benefits.

Two of the key issues arising from discussions with key stakeholders are that for this measure to be useful:

a) it needs to be simple to calculate and provide a robust measure. Building a simple, yet robust, measure that can be applied across a range of sectors will require investing in the development of standardised models and proxy indicators that organisations could use to make SROI calculations. It would also require organisations to amend their internal management information systems. Currently few organisations consistently track the performance data required to make an SROI calculation; and

b) there needs to be widespread buy-in and application of SROI by funders and social enterprises for it to be a meaningful measure. When looking at one SROI result it is hard to know what it means – is this a good return or not? It would be useful to compare SROI across like organisations. That said, there are dangers inherent in such peer group comparisons and this issue deserves further discussion and consideration.

Work is currently ongoing to develop models for the other sectors included in the pilot. In early Autumn 2003, NEF will hold a seminar to present the initial findings of the SROI pilot programme and discuss with stakeholders (community enterprises, government, foundations, private investors) the role of an SROI measure, its usefulness and how to take its development forward.

Ibstock Community Enterprises Ltd, Leicestershire

Ibstock is a large village 10 miles North West of Leicester with a population of approx. 5,700 people. Ibstock Community Enterprises Ltd (ICE) was formed in 1996 following the closure of the local bank. ICE was able to purchase the building and reinstate the cash machine, which dispenses £1m annually. The former bank now operates as a community shop and a 'one-stop' information and advice centre. ICE has a successful history of growth through several small scale, incremental developments.

In 1999, ICE purchased the vacant former National School situated in the Ibstock High Street. This is an icon building, which had been used as a church hall and a shoe factory following its demise as a village school. The building was purchased using ICE's Better Towns Prize and a £40,000 commercial loan from Lloyds TSB plc. The building has been made weathertight with the benefit of a number of grants from local authorities.

ICE has an annual turnover of between £70,000 and £100,000 and has an asset base of approx. £100,000, but the Lloyds TSB bank loan is continuously eroding its reserves.

With the assistance of local authority grants ICE has augmented its own resources to develop proposals to refurbish and develop the school building. The total cost of the conversion is estimated at approximately £420,000. Once completed the building will provide 3,650 sq. ft. of managed workspace for 8 start-up businesses as well as ancillary training and business support facilities. The workspace development would more than double ICE's turnover and quadruple its asset base.

Applications for the refurbishment costs have been made to EMDA for £200,000 and to the Coalfields Regeneration Trust (CRT) for £100,000. The application to the ACF was for the full £420,000 in the form of grant and equity finance, because of the uncertainty in timing and scale of funding from these sources.

Loan/Grant Conditions

- £100k grant dependent upon approval of CRT and emda funding bids
- 'In-kind' investment return to be agreed

Organisational Development Targets

- Shift focus away from externally driven consultancy
- Strengthen management team
- Develop management information systems to match new levels of activity
- Extend quality assurance systems

Business Model Targets

- Refinance Lloyds TSB loan
- Increase physical and social capital
- Develop local support programmes
- Achieve and invest surpluses

Social Impact Areas

- Additional activity in High Street/business sector
- Advice to individuals and businesses
- Increased local cash flows

The Relevance of SROI to the Adventure Capital Fund
The ACF participants and stakeholders (including those from the Evaluation Panel) will be invited to participate in the seminar on SROI and its future development in September.

In the meantime, those organisations in receipt of Patient Capital funding will, as part of the loan agreement, identify the key social impacts of the activity they undertake. They will commit themselves to work with NEF in order to structure and quantify these impacts. After the findings seminar, NEF will work alongside those organisations that offer the most potential of establishing measurable SROI. NEF could also provide training and technical assistance to the selected organisations and their Supporters to help them make such calculations. The SROI measure could act as a measure of the performance both of the individual investments and the ACF itself.[9]

Partnership

The ACF is a relatively small and highly focused programme. Yet to bring it into being has required a high level of co-operation within central government, within the community sector and between central government and the community sector. It has also involved co-operation between national and regional agencies.

The programme was created in response to representations made by organisations representing the interests of community enterprises active in disadvantaged neighbourhoods. The Scarman Trust and the Development Trusts Association were independently making similar approaches to the Active Community Unit (ACU) in the Home Office and the Neighbourhood Renewal Unit (NRU) in the Office of the Deputy Prime Minister. Both departments share an interest in strengthening the community sector but neither has a specific brief for championing the cause of medium-sized community-based organisations. For the ACU, these organisations represent one approach to creating a strong civil society and for the NRU they represent one element in implementing effective neighbourhood renewal strategies. In addition, they are not the only central government departments with an interest in this area. The Social Enterprise Unit (SEnU) within the Department of Trade and Industry sees community-based organisations as one within a range of models of social enterprises. Similarly, both the Enterprise Team and the Voluntary and Community Sector Team within the HM Treasury have an interest in community-based organisations as a method of delivering devolved public services.

In previous times, the lack of a defined point of reference could have resulted in no department being wiling to take the lead or other departments standing back in the event of a department picking up the baton. However, there has been a profound change of culture within central government and this has allowed significant progress to be made. The ACU was, with the support of the NRU and the SEnU, willing to take the lead but the NRU and the SEnU wanted to stay actively involved as both have a shared cross-cutting facilitating role. HM Treasury, given the absence of an active Patient Capital market, recognises that central government has a role to explore the demand for such financial products.

The funding for the ACF reflects this diversity of interest. The ACU agreed to contribute £2 million to support the Patient Capital aspects of the ACF programme. The NRU has contributed £400,000 to fund the support programme, the programme management and evaluation elements. The SEnU had at the time no expenditure programme from which to allocate funding but supported an approach to the Regional Development Agencies for organisational capacity building element of the programme. Four RDAs agreed to provide up to £360,000 to support up to 20 Bursaries within their regions.

Although central and regional government departments had identified the funding for the programme they did not have a delivery vehicle. Two options were debated. The first was to establish the ACF as an ACU administered initiative with community sector partner participation. The second was to devolve the decision making to the community sector partners but retain an active ACU participation. The first approach offered the greater potential for learning within Government. The second offered the potential of greater flexibility, responsiveness and lower transaction costs.

The second option also posed a challenge to the community sector partners. The DTA and Scarman Trust (ScT), which had been responsible for the initial approaches to central government, had regional structures and contacts with a wide range of different types of community enterprises but lacked experience in managing an investment fund. They, therefore, approached the Local Investment Fund, which had the systems for and track record in managing capital loan funds. Both DTA and ScT also had strong links with the New Economics Foundation,

Community Ventures Limited, Middlesborough

Community Ventures Ltd (CVL) was formed 13 years ago to tackle unemployment in some of the most disadvantaged neighbourhoods in Middlesborough. The parent charity runs training and employment programmes which have assisted hundreds of local people into employment during this period. CVL has created three subsidiary companies: two provide labour intensive community safety services and the other offers business and human resources consultancy services locally and throughout UK. The subsidiary companies contribute £60,000 per annum to the parent charity.

The Group employs 45 people and has an annual turnover of approx. £950,000.

Although a well-established and substantial organisation it is exposed. CVL operates the local authority's public realm CCTV service on an informal basis: it can be terminated at any time. The premises from which it delivers the CCTV service also provide the base for the subsidiary companies. If it looses the CCTV service contract, CVL and its subsidiary companies will become homeless. CVL has entered into a process, which if successful will result in a formal service level agreement between CVL and the local authority to provide the public realm CCTV monitoring services. This will establish a social framework for the procurement process and provide sufficient notice of tenure.

The application to the ACF entails the development of its alarm installation and monitoring business. This business is at a turning point. The existing technology is becoming obsolete and needs to be replaced. The new technology permits remote monitoring. A new control room has been established which enables CVL to become a regional hub for void property and household and business alarm services for a range of social landlords. In those instances where it installs the alarms at a distance form its Middlesborough base, it will establish locally owned community enterprises to provide the response services. A number of such projects are being implemented.

The ACF application requested £200,000 to purchase the CCTV cameras and infrastructure and £250,000 for alarms, connectivity and control room equipment. In the event the ACF chose to support the application for the alarm system.

Loan/Grant Conditions

- £100k gift capital attracting an if 'in-kind' investment return in training, consultancy and support
- £150k 10- year loan with a capital repayment holiday of 4 years and attracting an interest rate of 1% per annum in years 1 - 4 and 2% thereafter

Organisational Development Targets

- Enhance financial systems to meet new levels of activity
- Broaden skill base of senior management team
- Develop marketing/franchising capacity

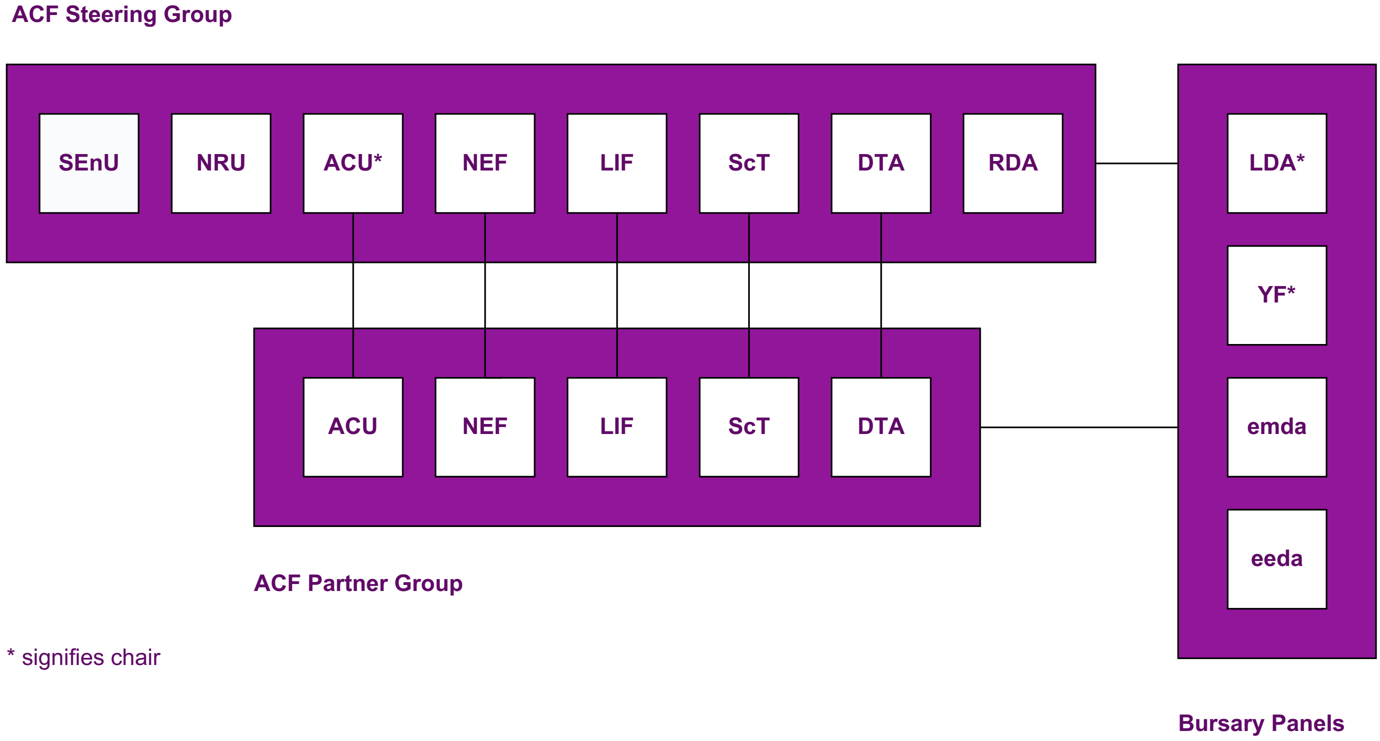
Business Model Targets

- Pilot alarm and response system
- Establish quality approved response service
- Establish synergy between CCTV and alarms strands of operation

Social Impact Areas

- Enhanced community safety
- Employment created
- Training and advice programme

Figure 4: ACF Partnership/Structure



which has pioneered new forms of evaluation and measurements that were able to capture concepts of social value.

These four organisations established a Partners Group (see Appendix 1) to implement the ACF programme. The ACU is also a member. LIF took the accountable body responsibilities of managing the ACF funds and chairs the group. LIF and the Scarman Trust undertook the due diligence inquiries on each of the applicants for Patient Capital funds. The Scarman Trust and the DTA provide the resources for the Supporters function. NEF is taking the lead on developing the SROI indicators and the evaluation programme.

The Partners Group reports to a Steering Group (see Appendix 1) which oversees the delivery of the programme. The Steering Group is chaired by the ACU and also includes representatives from the NRU, SEnU and the RDAs.

This structure reflects a sharing of risk and a differentiation of roles and responsibilities. Central government departments have taken the investment decision to establish the ACF because it offers the potential to enhance their ability to achieve their policy objectives. They have mitigated their risk by sharing the funding burden across a number of funding bodies. They have also devolved the risks associated with the implementation of the programme to the community sector partners. The implementation of the ACF programme would have stretched the capacity and the competence of any single community sector partner. By coming together they have combined their expertise and mitigated the risk of being over exposed.

Birmingham Credit Union Development Agency (BCUDA) and South East Birmingham Community Credit Union (SEBCCU)

Since its inception in 1987, Birmingham Credit Union Development Agency (BCUDA) has established and provides back office and support services to 30 community-based credit unions across the city. These have 20,000 members and assets of £15 million. BCUDA has two shop front properties offering accessibility to credit union services members across the city. A third is to be opened later this year. BCUDA has an annual turnover of approx. £300,000. South East Birmingham Community Credit Union (SEBCCU) was formed in October 2002 by the merger of three smaller community credit unions. It has 800 members and 40 volunteers.

BCUDA and SEBCCU have been working together to launch UK's first Community Development Credit Union (CDCU). During 2000, 200+ CDCUs based in US mobilised $1.7 billion in savings and made $660 million in loans.

CDCUs add a Community Development Financial Institution (CDFI) strand to conventional community credit unions. This allows them to offer consumer credit and provide savings and bill payment facilities.

BCUDA and SEBCCU applied to the ACF for £50,000 Gift Capital to establish citywide guarantee fund to underpin crisis loans made by local community credit unions; £100,000 long-term loan finance (£25,000 to improve IT systems and back office functions, £50,000 to cover cash flow during peak periods such as Christmas and £25,000 to improve four shop fronts) and £50,000 grant fund to support employment of the SEBCCU Manager for 2 years.

SEBCCU's involvement in the ACF programme has enabled it to attract sufficient funds to appoint a co-ordinator who will build its volunteer base and capacity to meet growing demand.

Loan/Grant Conditions

- £50k 10-year repayable grant, repayment through 'in-kind' advice programmes and technical support to BCUDA network members
- £100k 10-year loan at 1% per annum interest and with a 5-year capital repayment holiday

Organisational Development Targets

- Strengthen management teams in BCUDA and SEBCCU
- Enhance BCUDA's IT capability and increase its utilisation through BCUDA network
- Establish protocols for managing citywide loan funds

Business Model Targets

- Raise local profile
- Introduce a range of new products
- Offer dividend on deposits

Social Impact Areas

- Increased local cash flows
- Clustering of credit unions
- Improved IT systems
- New products

Evaluation

The evaluation process has been conceived as an integral part of the ACF and serves a number of functions.

First, the ACF programme has been developed and delivered at speed. The Evaluation Team is able to stand back and advise on the detail of the design and content of the programme. Second, if successful, the ACF programme will be relevant to a range of funders - including the corporate and charity sectors. The evaluation process will provide a valuable source of worked examples of successful initiatives. Third, the ACF includes a number of elements that are still in the development stage. There will be lessons to be learned and the evaluation process will enable those lessons to be captured. Fourth, the evaluation process safeguards the position of both the funders and the partners. The independent and transparent recording of the progress of the ACF provides an audit trail, which can show that the funds have been used effectively and for the purposes for which they were intended.

Finally, if it can be shown that the ACF has the potential to remove the barriers to growth of medium-sized community enterprises active in deprived neighbourhoods, it will be necessary to consider how the ACF or its successor might be expanded to meet the needs of the market. The Evaluation Team, based on the experience of the ACF programme, will be able to suggest options for the architecture and processes required.

A separate Evaluation Panel has been established to oversee the evaluation process. It is chaired by the Voluntary and Community Research Team, of the Home Office's Research, Development and Statistics Directorate and includes representatives from HM Treasury, SEnU, NRU and a number of independent researchers (see Appendix 1).

The Evaluation Team shadows the work of the ACF. It attends the Steering Group and Partners meetings as an observer. It will also meet with each of the organisations participating in the Bursaries and Patient Capital programmes. It will be responsible for the production of three reports. The first is the current Baseline report, which briefly describes the ACF and outlines the situation at the outset of the implementation phase. In the autumn/winter of 2003, it will produce an Interim Report, which will detail the work in progress and will help shape the 2004 programme. In spring/summer 2004 it will produce a final report and recommendations for wider dissemination.

The introduction of the Supporters programme, the use of balanced scorecards, the exploration of measures of social impact, the interlocking partnership arrangements and the innovative approach to the evaluation process invests the ACF with a structure which has the potential of being both robust and supportive. In the next section, the progress through the programme initiation phase is outlined.

Riverside Credit Union, Liverpool

Riverside Credit Union (RCU) covers the Speke/Garston suburbs of Liverpool. These are some of the most disadvantaged neighbourhoods in the UK, in spite of a succession of regeneration initiatives. RCU was established in 1989. It has 3,500 members and in the last 18 months has issued loans with value of over £1 million. In addition, it provides a number of insurance plans, direct debit, standing order and other facilities.

RCU works in partnership with the 1924 Project, which has similar trustees and undertakes activities outside the scope of the credit union.

Recently, there has been a substantial transfer of local authority housing to a registered social landlord (RSL). The RSL as embarked upon a multi-million pound improvement programme.

RCU/1924 Project recognises that this development offers RCU the opportunity to expand its loan portfolio while at the same time developing employment opportunities for local skilled crafts people. Over a third of the properties in the area have been purchased under the Right-to-Buy legislation. The owners, however, are ineligible for any assistance from the RSL and many have come to the RCU for home improvement loans.

The proposal is that RCU establishes a loan guarantee fund to underpin home improvements undertaken by local homeowners. In parallel, the 1924 Project would establish a Social Enterprise Asset Register (SEAR) of qualified electricians, plumbers, roofers etc. drawn primarily from the RCU's membership. The existence of both the loan guarantee fund and SEAR would allow local home owners to employ local trades people to undertake their home improvements. It is anticipated that the loan guarantee fund would allow RCU's loan portfolio to expand from its current £700,000 level to approx. £3 million over 5 years and its membership to grow to over 5,000. The creation of the SEAR and the associated home improvement programme would have a major impact upon the local economy

The application to the ACF was for a £100,000 loan guarantee fund and £50,000 gift capital to establish the SEAR and invest in the community enterprises created.

Loan/Grant Conditions

- £100k 10-year loan at 1% interest per annum and a 3 year capital repayment holiday

Organisational Development Targets

- Establish partnerships with key stakeholders
- Enhance financial skill base to match new activity levels
- Develop marketing capability
- Widen geographical spread and target client groups

Business Model Targets

- Use ACF commitment to lever additional funds into improvement loan fund
- Develop and implement marketing strategy
- Establish agreement with 1924 for the delivery and quality assurance of the SEAR offer

Social Impact Areas

- Enhanced community safety
- Reduction in predatory lending
- Increased local cash flow

3 Progress

The ACF programme, although modest in scale, is structured to reflect the realities of the issues under consideration. It has three distinct phases: programme initiation, programme implementation and next steps. Within this overall timeline, it has two main strands: the Bursaries and Patient Capital. Alongside both strands lies the Supporters programme. Within each strand, the ACF also seeks to identify clusters of activity as well as explore longer-term issues. For the Bursaries, the longer-term issue is the formation of an organisational development framework, which will allow capacity of organisation to match its aspirations. For the Patient Capital organisations, the long-term issue is to develop the ability to measure the social impacts of the activities they undertake.

Shadowing the whole ACF programme is the Evaluation programme.

The Gantt chart in Appendix 2 brings all these elements together. The following sections provide a brief commentary of the progress that has been made to date.

Process

Fifty-eight Bursary and thirty-eight Patient Capital applications were received by the relevant closing dates. The short-listing and final selection process took place during January and February and by the end of March offer letters had been sent to 19 successful Bursary and 10 successful Patient Capital applicants. The full amount of funds envisaged at the outset had been committed.

Bursaries

The Bursary applications were dealt with by regional panels using criteria established centrally[10]. The relevant RDA, with input from DTA and Scarman Trust, chaired the selection panel. A majority (58%) of the applying organisations used the company limited by guarantee of incorporation, sometimes in conjunction with another form, such as registered charity. The Bursary applications covered a wide range of organisational development issues but management systems, human resources, asset development and business planning accounted for 87.5% of the total.

The Bursary applications showed variability across the four regions. In London and East Anglia, about half of the applications were accepted. In Yorkshire and Humberside only a quarter were approved and in East Midlands none of the applications satisfied the ACF criteria. It was agreed that a new round of applications would take place in the East Midlands region later in the year. Twenty Bursary applications were approved but one of the successful applicants had to decline the offer as they had ceased trading. The nineteen successful Bursary applications are summarised below:

Bursary Summaries

Payment Employment Rights (PERS) (Dewsbury) offers a range of free and confidential services relating to pay and rights at work. These include advice, information and research specific to home working issues and initiatives. PERS intends to establish an ethical enterprise providing employment to those whose disadvantage means that they need to work from home. The Bursary is to support a feasibility of the proposed community enterprise.

Fenland Area Community Enterprise Trust (Cambridgeshire) works in partnership with Isle College, providing training and work opportunities for people with learning and other disabilities. It also provides advice support and guidance to other existing and newly emerging community enterprises across Fenland. It plans to develop a community enterprise through raising funds to purchase a new premise for the provision of new training courses for volunteering, work experience and employment opportunities in an area of economic deprivation integrated within the community. The Bursary is to support the next stage in the development of this community enterprise.

First Fruit (Newham) provides supported employment in catalogue delivery, sewing and warehousing. Following research and preparation of business plans, it intends to establish new community enterprises specific to screen printing and a building construction business using Sheffield Rebuild as a model. The Bursary will support the research and professional expertise required.

Great Yarmouth Community Trust provides skills training in deprived wards of the town, with support from the local authority which funds local initiatives, programmes and service provision. It plans to strengthen its skills and expertise, acquire two new assets and provide a wider range of services. The Bursary is to hire specialist professional support to train and upskill the Community Trust to develop its governance, asset development procedures, social and child-care provision.

Bramley + Rodney Community Action (Leeds) is an established community organisation providing key local authority services for children and young people on drug related issues. It intends to relocate its existing drug project to larger more appropriate premises thus allowing future development, growth and expansion of specialist and targeted provision. The new premises will establish a larger and more secure asset for the charity. The Bursary is for the provision of legal and professional expertise.

Bankside Open Spaces (Southwark) supports local people to improve and manage parks and open spaces in the locality. It engages in active consultation and the delivery of a variety of services including informal horticultural training and small grants. It plans to develop a shared vision for a sustainable income stream to ensure its future viability and the management of local parks by local people. The Bursary is to support a feasibility study to research enterprise ideas.

St Elizabeth's Centre (Hertfordshire) supports care and education of people with epilepsy and associated disabilities. It plans to develop a horticultural business offering sheltered/open employment and saleable organic products. It will deliver accredited training in partnership with Hertfordshire Regional College. The Bursary is to support the pilot phase of the project.

Community Economic Regeneration Team (North Lincoln-shire) undertakes community and economic development projects across a large rural area with Objective 2 status. Funding comes from a diversity of short-term grants, which often do not match the needs of the local communities. CERT plans to build a wind turbine to provide a clean source of energy, local employment and an independent income stream. The Bursary is to fund the feasibility stuey.

Ethnic Minority Training Project (Luton) is a community organisation working with ex-offenders and young people at risk of offending. It intends to establish a shop in Bury Park selling multi-lingual books, stationary and cultural artifacts to meet the needs of the diverse local communities. It will develop cultural awareness exhibitions, education and employment opportunities, including supervised work experience for ex-offenders to assist reintegrating them into the labour market. The Bursary is to develop a business plan to enable the charity to operate effectively as a community enterprise.

Bradford Community Enter-prise Scheme concentrates on environmental improvement projects in the Bradford district. It currently supports the setup of fruit and vegetable bulk buying groups in deprived estates. It plans to establish a Bradford Organics Collection Scheme as a wholly owned social enter-prise. The scheme will convert organic waste for sale. The Bursary is to commence the development stage of the scheme.

Fledglings (on the borders of South Cambridge, Essex and Herts) is a community enterprise providing a range of specialist services to families who have children with a disability and or special needs. It plans to build its long-term sustainability around a sound operational and financial infrastructure. The Bursary is to develop its governance, infrastructure for operational planning and business planning to support growth.

Sky Visuals Community Media Project (Luton) was set up in 1984 as a voluntary youth and community enterprise to promote arts and music. It plans to become self-sufficient and to reinvest funds for community benefit. Building on strong links a UK Bengali TV channel it plans to develop a fully equipped media project which will provide a pathway into employment for the local community. The Bursary is to undertake the feasibility study.

Goole Development Trust (Humberside) helps to further the economic, environmental and social regeneration of Goole and its surrounding area. It plans to improve its sustainability by establishing a 'green' business centre providing space for 'green' businesses and advertising on 'green' issues. The Bursary is to establish a strategic plan for the organisation and business plan and feasibility study for the business centre.

The Wickam Market Partnership (Suffolk) is newly formed and plans to achieve community regeneration by developing of a community re-source centre, delivering services and acting as a catalyst for development by others. Its objective is to become sustainable over the long-term. The Bursary is to buy-in specialist advice, develop a business plan and make progress on the community resource centre project.

Treehouse Children and Families Centre (Norwich) has ambitions to be neighbourhood nursery and a centre for an extended range of children's services. It plans to build a community enterprise Children's and Families Centre serving two of the most deprived areas in the city. Current provision includes day-care, wrap-around childcare for older children and support services. The Bursary is to research local employers' childcare needs and profile capital investment required.

E5 Enterprise Ltd. (Hackney) oversees the business/trading activities and manages the enterprise ventures of the Clapton Park United Reform Church. It has developed a range of family support, community services and premises. It is ready to move to the next phase of its development, which will include creating a community business. The Bursary is to employ a Community Enterprise Manager to undertake the review of existing services and to identify revenue-generating options for its next stage of growth.

Bootstrap Enterprises (Hackney) supports individuals and groups to achieve and succeed in employment and enterprise. It owns and manages 40,000 sq ft of office, workshop and shop space housing 60 micro-enterprises and voluntary and community organisations. It plans to undertake renovation works and develop existing facilities and provide additional 25,000 sq ft of redeveloped workspace. This will provide additional facilities for a further 15/20 enterprises. The Bursary is to be used towards the preparation of the business plan and feasibility study.

Kings Cross Community Development Trust (Camden/ Islington) provides a range of capacity building, training, employment services as well as cultural projects/opportunities within the local area. It seeks to review its business plan and define long-term route map in relation to the strategic development of its trading base and the acquisition and development of assets. The Bursary will support an audit and professional expertise.

Paddington Farm Trust Ltd. (Westminster) aims to improve quality of life for disadvantaged people in Westminster through the provision of opportunities for personal development, education and improved well being. It runs and plans to extend commercial activities to subsidise its community work. It envisages that its activities, as a result of growth over the next 5 years, will directly benefit over 2,000 people in Westminster and a further 3,000 through associated and outreach activity. The Bursary is to carry out a feasibility study to develop a clear policy for the future use and management of their land and the redevelopment of their buildings.

Patient Capital

Short listing
Thirty-eight Patient Capital applications were received. The total capital value of the proposed planned investments was £46.6 million and the anticipated call on the ACF fund was for £10.7 million, an over subscription of 5:1.

Representatives of NEF, DTA, LIF, ScT and ACU met on 20th January under the chairmanship of Lord Bhatia, chair of LIF to consider applications.

Each Patient Capital application was judged against the same set a set of criteria used for the Bursary applications and resulted in a high, medium or low score. After excluding weak or incomplete applications, 18 projects remained in the frame. These included a large number of managed workspace projects. In order to secure as wide a range of types of investment as possible, the Selection Panel decided to undertake a further review of the workspace applications. As a consequence three additional workspace applications were set aside.

The 15 short listed organisations represented a range of organisations and types for investment. They had a good regional spread and three had a strong base within black and minority ethnic communities. The value of projects covered by the short listed applications totalled £16.4 million and, with requested support valued at £4.86 million, the ACF was still over subscribed by nearly 5:2. The size of project ranged from in excess of £3 million down to £150,000. The requested contribution from the ACF ranged from £700,000, significantly more than the upper limit indicated by the ACF, down to just over £100,000. The anticipated ACF contribution ranged from 100% of project costs down to a little over 10%.

Final Selection
A two-person assessment team visited each of the short listed organisations. The assessment team reviewed the substance of the proposals and the applicant organisations, established the benefits that would accrue from the investment, verified the costings and timetable and identified gaps in the applications.

The assessment team adopted a two stranded approach. First, using the balanced score approach, every applicant identified its current position, its planned position after 18 months and again after 3 – 5 years in each of the four main fields of activity: organisational development, business development, financial return and social return. These were then graphically represented to provide a map of the organisation.

The ability to identify indicators in each of the fields, the range of measures proposed and the robustness of the projections provided a means of ranking the applications.

The second assessment took the form of a financial appraisal of the applicant and the project.

The final selection took the form of a two-day panel comprising representatives from DTA, ScT, LIF and the ACU. Each member had copies of the financial appraisal and balanced score card summaries. Each applicant was invited to make a 10-minute presentation during which they could provide additional information. This was followed by a half-hour question and answer session.

The decision making process at this stage was driven by the quality and clarity of the applications and the need to keep commitments within the limits of the ACF. In the event 10 applications were selected for funding.

The investment propositions of the selected organisations can be divided into two broad categories: proposals for business development and proposals for physical development. Each of these can be further divided into two strands. Within the business development strand, it was possible to identify business start-up and social banking as separate entities. Within the physical development strand, it was possible to distinguish between community resource centres supported by workspace projects and workspace projects supporting community development programmes.

The selected organisations are summarised in Table 1 and described in more detail in the text boxes.

Table 1: Selected Investment Applications

Organisation	Initial Request £	Capital Grant £	Repayable Loan £	Repayment Period	Interest Rate Return	Additional support offered
Fairfields Material Management	225,000	80,000	120,000	Within 10 years	Royalties on sales calculated at 2% return	Appointment of two non-executive directors
Ibstock Community Enterprises Ltd	423,000	100,000	-	-	In kind reinvestment	Applications to EMDA and Coalfields Regeneration Trust
Moss Side and Hulme CDT	322,787	150,000	150,000	Between year 5 and year 10	1% per annum on repayable loan: in kind reinvestment on grant	Access to specialised external advice
Environment Trust	400,000	100,000	100,000	Within 10 years	2% per annum on repayable loan: re-investment in community projects on grant	-
Action for Business (Bradford)	400,000	-	300,000	Re-negotiated at end of year 5	1% per annum	-
Stocksbridge Training and Enterprise Partnership	445,000	200,000	-	To be negotiated	In kind re-investment	£200,000 loan from LIF
Riverside Credit Union	150,000	-	100,000	Between year 4 and 10	1% per annum	-
Croxteth Community Trust	200,000	-	200,000	100,000 between year 3 and 8	100k - In kind reinvestment £100k - 1% per annum	-
Birmingham Credit Union Development Agency	200,000	50,000	100,000	Between year 5 and 10	1% per annum on repayable loan: in kind re-investment on grant	-
Community Ventures Middlesborough	450,000	-	250,000	From year 4	£100k - In kind re investment £150k – 1% per annum for first 4 years and 2% thereafter	-
Total	3,215,787	680,000	1,320,000			

Patient Capital
The selection process generated a range of different Patient Capital interventions. Half the ACF Patient Capital fund was allocated in the form of deferred payment loans. These attracted loan repayment holidays of between three and five years. A third of the fund was allocated in the form of non-repayable grants. 45% of the fund has been allocated in the form of loans that for the most part attract a 1% per annum rate of return. 40% of the investments attract no loan repayment but the applicant organisations have committed themselves to deliver 'in-kind' revenue support within their communities/neighbourhoods. Two of the investments might generate rates of return in excess of 2% per annum. These take the form of 'participating' loans. In these instances the ACF will receive a percentage of the income generated subject to an agreed cap on the overall return.

Table 2 summarises the distribution of Patient Capital investments.

Bradford Gathering
On May 14th, ACF convened a gathering for those organisations that are to receive Patient Capital investment funding. The gathering was hosted by Action for Business (Bradford) Ltd - one of the successful applicants. The Bradford gathering provided an opportunity for each of the Patient Capital organisations to meet with each other and also with members of the Partners group responsible for implementing the programme. It also meant that all the participants had a shared understanding of the content, purpose and timetable of the ACF programme.

Table 2: Selected Investment Applications: Patient Capital Instruments and return

Instrument Return	Grant	Deferred Repayment Loans	Loans	Total	%
In kind reinvestment	680,000 (6)	-	200,000 (2)	880,000 (8)	44.0
1%	-	900,000 (6)	-	900,000 (6)	45.0
2%	-	100,000 (1)	-	100,000 (1)	5.0
Royalties	-	-	120,000 (1)	120,000 (1)	6.0
Total	680,000 (6)	1,000,000 (7)	320,000 (3)	2,000,000 (16)	-
%	34.0	50.0	16.0	-	100.0

4 Early Observations

The ACF programme is entering the implementation phase. It is too early to come to any general conclusions. Nevertheless, it is possible to make some initial observations.

Context

ACF is a sophisticated and highly focused programme. It has benefited from the emergence of two significant groupings with a shared interest in the development of an investment culture within the community sector. Within central government aspects of the policy agendas of the Home Office, Office of the Deputy Prime Minister, the Department of Trade and Industry and HM Treasury have converged over the last two years. Within the community sector, the New Economics Foundation, Scarman Trust, Development Trusts Association and Local Investment Fund have developed constructive working relationships and also have engaged on joint projects. These developments have increased the level of dialogue, working relationships and trust. However, it is open to question whether the ACF would have come about had it not been for a change of leadership and priority within the Home Office.

Furthermore, a key turning point occurred when the community sector partners took up the challenge to implement the ACF programme. Had the community-sector partners not accepted the challenge, it is doubtful whether the programme would have made such progress. The separation of responsibilities for funding the programme from those associated with its delivery has allowed a fast moving, problem solving delivery mechanism to emerge. It appears to have low transaction costs and also retained the energy of the participants.

Process

It is a significant feat to have brought together a coalition of funding agencies and a coalition of delivery agencies and to get the ACF programme signed off ready to be launched within a six month period. Nevertheless, the process was highly pressured. The publicity given to the programme was limited and applicants were given a calendar month to produce their proposals - a month that included Christmas. In reality applicants had barely two weeks to prepare their submissions. It is not surprising that some of the applications showed signs of being hurriedly assembled. The partner organisations have also been under intense pressure to deliver against very tight deadlines.

Market for ACF

In spite of the season and the short application period, the ACF was over subscribed several fold. 58 Bursary applications were received. On the Patient Capital side the 38 applications had a total capital value of £46.6 million and an anticipated call on the fund of £10.7 million. This represents an over fivefold over bidding for the available ACF funds.

Within the Patient Capital strand, there is a significant demand for equity finance to support the development of workspace projects. These offer secure, relatively low risk investments for community enterprises. The absence of equity finance means either that much of the existing community workspace provision remains poor in quality or that workspace development is undertaken by the private sector with the prospect of continued marginalisation of community and social enterprises. This is a financing gap that the ACF could choose to explore.

Sector in transition

The selection process for both the Bursary and Patient Capital strands showed a wide range in the quality of the applications with some poorly framed or failing to understand the purpose of the ACF programme.

The balanced scorecard provided a mechanism that has allowed the assessors to engage the applicants in a dialogue to develop meaningful goals and performance indicators. It was evident that applicants were amending and developing their proposals in the light of the meetings with the assessors. Most of the community enterprises were more comfortable with identifying goals and measures for the *Business Model* and the *Financial Return* elements and less comfortable with *the Organisational Development* and *Social Return* elements.

Nevertheless, a step change took place during the selection process. Leading edge experience in the community enterprise sector is beginning to consider alternatives to a grant supported arithmetically balanced approach to asset development. This indicates that the participating organisations have embarked upon a significant organisational and cultural journey. This places

Environment Trust, London

Established in 1979, the Environmental Trust (ET) is one of the UK's longest established development trusts. It is the community sector's leading agency on environmental issues, eco-friendly 'green homes' and asset-based development.

It works primarily in East London and has established four subsidiary organisations - landscape design; landscape construction; research and consultancy and green taxis - and has floated off many more as independent organisations. In East London it has been responsible for the £25 million implementation of the Mile End Park project with funding from the Millennium Commission. It is currently extending its consultancy activities into the south east region and is developing proposals for a tidal energy company to meet a large part of the electricity needs of Swansea. It is intended that this initiative will, through earmarking a percentage of the sales income, contribute to local regeneration projects.

It has an annual turnover of approx. £650,000 and an asset base of a similar value. It proposes to reorientate the Trusts' activity such that it will become an energy and community development consultancy with a national reach while maintaining a portfolio of local projects. In order to do this it needs to strengthen its asset base and increase its self-generated income stream.

It proposes to construct a 14,000 sq. ft 'easy in/easy out' workspace development capable of housing 20+ small businesses employing 120 people. The project will be built on derelict land leased from Docklands Light Railway (DLR) and will utilise recycled sea containers in the construction. It will also include a nursery garden on the roof. The workspace development will double the Trust's asset base and the rental income will generate in excess of £50,000 per annum.

The cost of the development is estimated to be £1.4 million. The application to the ACF was for £400,000 grant.

Loan/Grant Conditions

- £100k 10-year repayable grant, repayment through 'in-kind' advice and technical support to other community enterprises and groups
- £100k 10-year loan at 2% per annum interest with interest and repayment of capital calculated as a percentage of rents received

Organisational Development Targets

- Shift focus away from externally driven consultancy
- Broaden management board to reflect national reach
- Strengthen research and consultancy capability
- Develop facilities/property management capabilities

Business Model Targets

- Acquire site and let and manage construction contract
- Undertake internal review to consolidate activities
- Enhance position as centre of excellence on environmental issues
- Appoint facilities management staff

Social Impact Areas

- Advice to individuals and community groups
- Jobs created
- Environmental improvements

added importance on the role and identity of the Supporters. They will have a critical role in the success of the ACF programme.

Sustainability

There was a general unwillingness at the outset to consider contractual relationships that entailed repayment of the capital or the payment of interest. Many of the applications were couched in terms of gap funding rather than investment proposals. For many, the ongoing revenue budgets also needed to be further developed. This in part explains the high proportion of low or no return investments in the ACF portfolio in this initial round. The terms on which the Patient Capital has been awarded mean that the ACF will not achieve revolving loan fund status. A third of the investments are in the form of gift capital and none of the loans is expected to make any principal repayment during the first three years. With the exception of the 'participating' loan arrangements, the interest rate of return on the repayable loans does not exceed 2% per annum.

These low or no return investments gives added emphasis to the need to establish robust measures of significant social returns on the capital invested. The later stages of the ACF will need to focus on this aspect of the programme. At the present time, the methodology is still being tested and few of the participating organisations have begun to develop quantifiable indicators, which capture the social benefits of their actions.

Gathering consensus

It would appear that the ACF was launched at a particularly propitious time. While the programme has been running, it has attracted the interest of a number of corporate and charity sector investors. In May, the DTI published a consultation document on its intention to create a more supportive legal structure for social enterprises.[11] HM Treasury has issued a consultation document on its *future*builders programme[12] that will offer investment to strengthen the capacity of voluntary and community organisations and social enterprises to deliver a range of public funded services. Also in May, the Bank of England published its report on financing for social enterprises.[13] This highlights the lack of patient capital for the crucial start-up and expansion phases of their development.

In June, David Blunkett, the Home Secretary, delivered the Edith Kahn Memorial Lecture to the Community Service Volunteers (CSV) in which he set out a far reaching agenda to empower communities[14] and announced a further injection into the ACF of £4 million from the Recovered Assets Fund. This will focus on encouraging growth in community-based service delivery in priority areas such as education, training and job creation, childcare and crime reduction and building the capacity of black and minority ethnic community organisations.

5 Next Steps

The ACF programme coincides with a surge in interest in the potential of social enterprises, and hence community enterprises, to be recognised as significant generators of wealth in an increasingly diverse economy. The ACF programme has therefore attracted the interest of a number of stakeholders in the public, private and voluntary sectors.

Evidence from the programme initiation phase of the ACF programme has shown that there is a significant demand for a range of patient capital products among community enterprises. It has also allowed some of the main characteristics of the demand and supply side aspects of the market to be identified.

In July, the DTI, the Home Office and the ODPM will co-host a conference on the role that Patient Capital can play in helping to develop a robust social sector. This conference will provide an opportunity for a wider range of stakeholders to become engaged in the issues. It will also provide an opportunity for practitioners from the US to share their experience with their counterparts in the UK.

The emphasis during the implementation phase will be to establish whether the ACF interventions deliver the intended benefits. For this to happen, the programme needs to remain grounded and focused on delivering against its immediate milestones. The Bursary projects need to work through to completion. The loan and social impact agreements for the most advanced Investment projects need to be put in place. The Supporters need to complete their initial assessments and begin the process of delivering the support programmes that will meet the short and medium-term needs of the participation organisations. The Evaluation Team will also begin its programme of site visits to the participating organisations.

In parallel, the ACF Steering Group and Partners Group will need to start the planning necessary to launch and manage the second tranche of funding announced by the Home Secretary.

Appendix 1: Membership of Steering Group, Partners Group, Evaluation Panel

a) Steering Group

Chair
Charles Woodd - Head of Community Development - Active Community Unit (Home Office)

Steve Wyler - Director - Development Trusts Association
Matthew Pike - Executive Director - The Scarman Trust
Frank Carson - Head of Employment and Economic Policy Team - Neighbourhood Renewal Unit (Office of the Deputy Prime Minister)
Steve Wallace - Assistant Director of the Social Enterprise Unit (Department of Trade and Industry)
Roger Brocklehurst - Director - Local Investment Fund
Sarah Forster - Programme Director - New Economics Foundation
Regional Development Agencies - Representative from one of the four supporting RDAs (East of England Development Agency, East Midlands Development Agency, London Development Agency & Yorkshire Forward)

Secretary: Neil Chadwick - Adventure Capital Fund Administrator - Local Investment Fund

Observer: Stephen Thake - Reader in Urban Policy - Cities Institute, London Metropolitan University (Evaluation)

b) Partners Group

Chair
Lord Bhatia - Chairman of the Board of Trustees - Local Investment Fund

Charles Woodd - Head of Community Development - Active Community Unit (HomeOffice)
Steve Wyler - Director - Development Trusts Association
Matthew Pike - Executive Director - The Scarman Trust
Roger Brocklehurst - Director - Local Investment Fund
Sarah Forster - Programme Director - New Economics Foundation

Secretary: Neil Chadwick - Adventure Capital Fund Administrator - Local Investment Fund

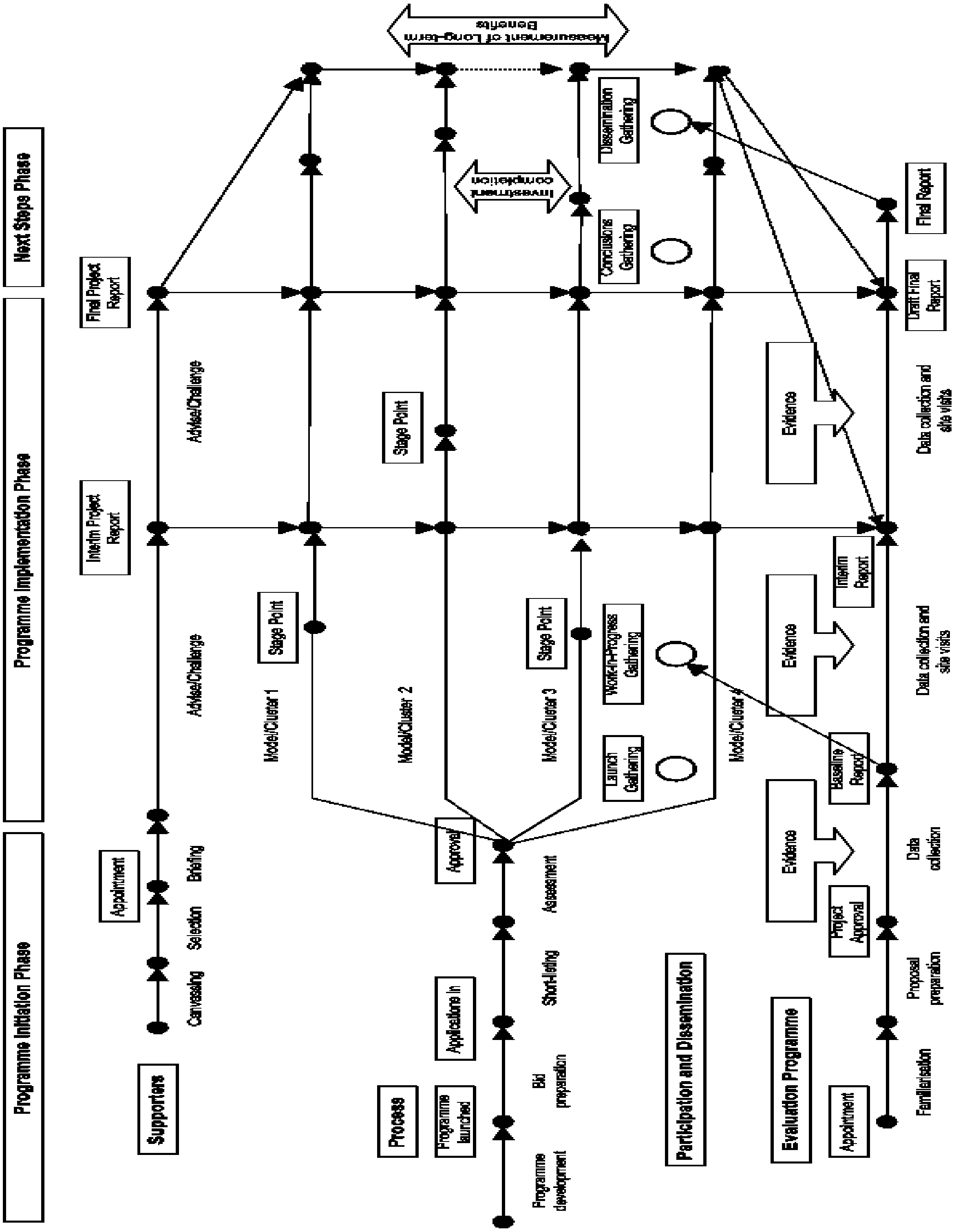
Observer: Stephen Thake - Reader in Urban Policy - Cities Institute, London Metropolitan University (Evaluation)

c) Evaluation Panel

Convenor and Secretary
Duncan Prime (Communities Research, RDS, Home Office)

Marilyn Taylor (Professor of Urban Governance and Regeneration Cities Centre, University of the West of England)
David Carrington (Independent Voluntary Sector Consultant)
Ben Day (Policy Advisor, Enterprise Team, HM Treasury)
Andrew Maginn (Head of Branch in Neighbourhood Renewal Research - ODPM)
Sarah Forster (New Economics Foundation)
Jonathan Holyoak (Policy Advisor – SenU, DTI)
Bob Brennan (Lead Responsibility for Bridges CDVF - DTI)

Appendix 2: Adventure Capital Fund Gantt Chart Investment Strand



Notes

[1] London Development Agency (LDA), East of England Development Agency (eeda), East Midlands Development Agency (emda) and Yorkshire Forward (YF).
[2] Forster, S. Mayo, E. Nicholls, J (2002) *Social Return on Investment: Concept Paper*, New Economics Foundation, London
[3] DTI (2002) *Social Enterprise: a strategy for success*, www.dti.gov.uk/socialenterprise
[4] Pearce J, (2003) *Social Enterprise in Anytown,* Calouste Gulbenkian Foundation, London
[5] Thake, S (2001) *Building Communities: Changing Lives*, Joseph Rowntree Foundation, York
Pamler, H(ed) (2002) *Fabulous Beasts: stories of community enterprise*, DTA, London
[6] Kaplan, R P and Norton D P (1996) *The Balanced Scorecard*, Harvard Business School Press, Boston MA.
[7] Paton, R (2003) *Managing and Measuring Social Enterprises*, Sage, London
[8] Pike, M (2003) *CanDo Citizens*, Social Enterprise Services, London
[9] Ideally, an SROI would be calculated for all the investments so as to calculate the ACF's total social return on investment. However, whether this is possible will require a closer look at the activities of the organisations and determination of whether an appropriate SROI model could be developed for them.
[10] These were the lack of alternative funding streams, social impact, economic return, organisational capacity, diversity, community dimension, ability to generate revenue and replicability.
[11] DTI (March, 2003) *Enterprise for Communities: Proposals for a Community Interest Company*, ww2.dti.gov.uk/socialenterprise
[12] HM Treasury (April, 2003) *future*builders: *an investment programme for voluntary and community sector public service delivery,* www.hm-treasury.gov.uk
[13] Bank of England (May, 2003) *The financing of social enterprises,* www.bankofengland.co.uk
[14] Rt Hon David Blunkett MP, (2003) *Civil Renewal: A New Agenda*, www.homeoffice.gov.uk

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