Social Investment in Essex

A Research Report

September 2017

Social Enterprise East of England

www.seee.co.uk

Contents

1. Executive summary

This research was commissioned by Essex County Council on behalf of the Essex Partnership and delivered by Social Enterprise East of England (SEEE). Its primary aim was to explore potential within social enterprises[1] as well as traditional voluntary sector organisations[2] in Essex, to seek investment from social investment providers. The research also informed the design of an Essex Social Investment Readiness Programme[3].

Method

SEEE surveyed 122 organisations based or operating in Essex (including Southend-on-Sea and Thurrock) in early 2017, using an online questionnaire. Follow-up telephone interviews were conducted with 20 purposively selected larger organisations that had plans for expansion.

Key research findings

Limited experience of accessing loan finance in Essex:

- Only 13% of respondents had ever applied for loan finance
- Finance had been sourced from a mix of social investment providers and high street banks
- Most had used the finance for capital projects such as acquiring assets or refurbishing buildings
- A further 9% of respondents had considered borrowing but not pursued this option with risk identified as a significant reason

Essex as a market for Social Investment - *there is an appetite for growth but not always the available capacity to achieve this:*

- 27% of respondents had plans to expand their organisation
- A further 30% had ideas about expansion but little time to develop them

[1] Social enterprise is an umbrella term for organisations with a social purpose written into their constitution and which earn some of their income through trading in goods and services. These organisations should be non-profit-distributing, investing any profits for additional social purpose.
[2] Traditional voluntary organisations have a social purpose to which the organisation is committed (frequently as a registered charity) and generate income from a range of sources including grants (from charitable trusts and public authorities), donations and trading. There are some restrictions regarding the trading activities of charities but organisations wishing to develop trading as a source of income frequently set up an arms-length organisation to trade on behalf of the parent charity.
[3] This programme provides support for 20 social enterprises and voluntary organisations that want to seek social investment

- The qualitative research found those that had used social finance were mostly positive about the experience and would borrow again in the future – with a number of respondents open to innovative approaches to generating income

Awareness needs raising – *there is still a lack of knowledge about what models of social finance are available and who the providers are:*

- From a list of six national and regional providers, only one (Charity Bank) was known by over half of respondents
- The majority of respondents were unaware of Social Impact Bonds, Community Bonds and Community Share Issues as an option
- Considerably more respondents (93%) had heard of crowd funding than other alternative sources of finance

A need for support – *organisations identified a need for tailored support, including to develop trading activity:*

- More than half of respondents identified a need for funding support in the future
- Around a third identified a need for support with developing goods or services, marketing and measuring impact
- Organisations that had sought advice were using a range of sources; the qualitative research found the most positive feedback was for support from peers and networks
- Respondents thought it was beneficial if support organisations had specific expertise in social enterprise or supporting value-led organisations

Barriers to overcome - *a number of barriers to growth and taking on finance were identified, including:*

- A risk averse culture amongst organisations and trustees
- Not generating enough income through trading to repay loans
- Short-term contracts not providing enough security to borrow against
- Insufficient capacity or financial management systems to take on borrowing

Recommendations

The research identified a number of recommendations to inform the Essex Social Investment Readiness Programme, as well as the wider system through the formation of an Essex Social Enterprise Network, to support the growth of social investment across Essex:

1. Support in business planning and finance to help organisations assess risk
2. Raising awareness of the Social Investment 'offer' to help to grow the market
3. Providers bringing knowledge in to help increase awareness and competition
4. Peer to peer support to help disseminate existing knowledge and experience
5. Longer contracts from public sector customers to help financial planning for growth
6. Trustee involvement in training and development to help them become less risk averse

2. Background and methodology

Background to social investment

Social investment is an umbrella term that covers a range of methods through which individuals and organisations can invest in businesses that provide both a financial and a social return for the investor. Although some investors such as Triodos Bank have been operating for many years, this activity has largely developed in response to various government initiatives. Community development investment funds were established by the Treasury in 2002, which also created a Community Investment Tax Relief for investors. This enabled the creation of Community Development Finance Initiatives (CDFIs) as instruments to facilitate the links between investors and organisations seeking finance. CDFIs have recently been renamed as Responsible Finance (RF) providers.

Some of the most common models of social investment are:

- **Social lenders** – banks set up specifically to invest for social purpose, such as Triodos and Charity Bank
- **Community Bonds/Community share issues** – methods to enable stakeholders in a project to make investments, used particularly by the co-operative movement and, more recently by communities taking over assets such as community shops or pubs
- **Social Impact Bonds** – a specific product, operated in the UK by Social Finance – a method of third party investors providing finance to organisations delivering public services and where the public provider pays on the results delivered
- **Crowdfunding** – platforms that enable individuals to donate or invest in new initiatives – frequently investors are paid in kind rather than getting their money repaid

In the majority of cases social finance providers require the money they invest to be repaid, frequently with interest. The main difference from the commercial finance sector is that the investment period may be longer and the returns required by investors to the loan funds are lower. They will also offer terms such as not requiring personal guarantees from directors or trustees. These requirements mean that the borrower must be trading, so that it can repay the loan, or that commissioners are committed to paying by results on the successful completion of a contract and the loan acts as working capital. Most lenders will support an organisation which has the ability to repay a loan from earned income, regardless of whether it is a social enterprise or voluntary organisation that trades.

Social investment in Essex

The Essex Partnership identified a need to stimulate social investment and business engagement in community projects and to strengthen the capability of the sector to lever investment. Therefore it set up a programme with funding from the Transformation Challenge Award to raise awareness and improve access to social investment opportunities. The intention is to help build a sustainable VCSE (Voluntary, Community and Social Enterprise) sector that can face the business challenges of the future. The sector will then be better positioned to play an increasing role in delivering the following benefits for the residents of Essex:

- Contribute to a healthy civil society, local community capacity and population well-being
- Increase the public sector's ability to effectively deliver services through commissioning, as the sector is more embedded in local communities and thus well-placed to find solutions to local problems
- Contribute to local economic growth whilst adding social and environmental value, solving complex social problems in the process[4]

Methodology

The primary aim of the research was to identify the potential within existing social enterprises in Essex, as well as traditional voluntary sector organisations, to seek investment from a range of social investment providers. The methodology used for this research reflects the difficulties of defining the target group described above and also the fact that no organisation in Essex currently maintains a list of social enterprises in the area, although there are various lists of voluntary organisations.

Two research methods were used:

1. **An online survey** to establish the broader extent and scope of social enterprise activity in Essex, along with knowledge and experience of social investment
2. **An extended follow up telephone interview** with a sample of 20 respondents to the online questionnaire to gather qualitative data and personal opinions from those that have used social finance or were likely to use it to develop the capacity of the organisation in the near future.

Online survey

The respondents to the online survey were approached directly through existing databases that are in the public domain (such as the Community Interest Companies register and the Charity Commission), or where there is a pre-existing agreement that organisations may be contacted for research purposes, such as SEEE's membership database for Essex and Anglia Ruskin University's 3rd Sector Futures database. The researchers also cascaded the request to participate via other infrastructure organisations, mainly Councils for Voluntary Service in Essex.

Fieldwork ran from 25th January to 17th February 2017. A total of 122 eligible responses were received. It should be noted that there were a number of filter questions throughout the questionnaire meaning not all respondents were asked all questions.

[4] Source: Essex County Council

To be considered eligible for the survey, respondents had to be:

- A social enterprise or charity/voluntary organisation[5]
- Based or delivering a significant amount of work in Essex (including the Unitary Authority areas of Thurrock and Southend-on-Sea)

The respondents who completed the questionnaire were a non-probability, voluntary sample that self-selected to complete the questionnaire. The methodology employed means that the total number of organisations to which questionnaires were sent is unknown. Furthermore, given there is no known population data for VCSE organisations in Essex, all data presented in this report is unweighted. Care should therefore be taken in applying the findings to the total population of VCSE organisations in Essex.

<u>Follow up telephone interviews</u>

The sample of 20 organisations selected to participate in the follow up interviews was chosen on the basis of their responses in the online survey, with the aim of speaking to organisations that had used social finance or were likely to use it in the near future. From those who agreed in the online survey to be re-contacted, interviewees were selected on the following basis:

- They responded to the question 'What are the prospects for your organisation in the year ahead?' with the answer: 'we have definite plans to expand' or 'we have plans for expansion but little time to develop them'
- They had a turnover of £100,000 or more – although a small number of organisations were selected with a lower turnover if they were earning a high proportion of income through trading or had an existing asset
- Whether they had used or attempted to use social investment finance – priority was given in the selection to those organisations that had some previous engagement with social investment

Finally interviewees were selected on the basis of the type of work they did and the part of Essex they were based in, to ensure a broad range of organisations were represented, given other limitations.

Within this sample, 10 organisations had self-identified in the online survey as social enterprises, 9 had identified as charities that are trading and one was a charity that was developing its trading activities.

Interviewing took place in February and March 2017.

[5] Some small businesses sell goods and services that could be deemed socially useful but are not structured to provide the required transparency about what happens to profits and assets. These were excluded from the sample.

Reporting conventions

Throughout this report, the following reporting conventions are used:

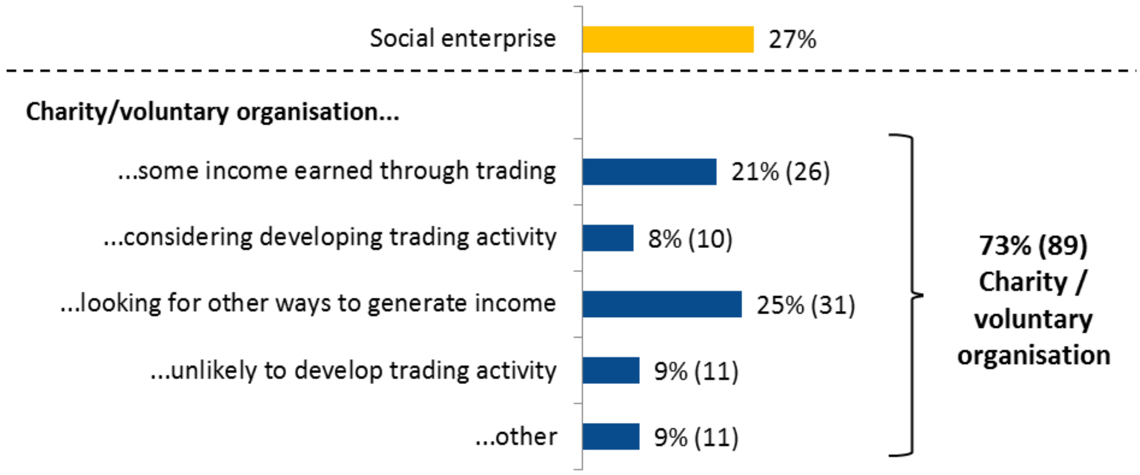
- Findings from the online survey are shown as percentages, rounded to the nearest whole percentage. Readers should note therefore that at some questions, percentages may not exactly add up to 100% due to rounding error. At some questions, respondents may have been able to select multiple responses meaning that percentages add up to more than 100%.
- All charts show the findings as percentages with the number of responses shown in brackets.
- Findings for all questions are based on the number responding. Where a question was asked of a filtered subset of respondents, this is made clear in the text or base definition.
- Findings for questions with low base sizes less than 30 are not reported as percentages but based on the number of responses given for each response category.

3. About the respondents

Organisation history and profile

Just over a quarter of the surveyed organisations (27%) identified as a social enterprise, with the remainder (73%) identifying as a charity/voluntary organisation in some form (Figure 3.1). More than half (56%) of the organisations had been founded since the year 2000, however, a number of longer established organisations also responded, with 27% founded between 1980-1999, and 17% founded pre-1980.

Figure 3.1: *Organisation type*



Base: All respondents (122)

Sixty per cent of organisations employed less than nine people (including 14% who solely used volunteers), although many Small to Medium Enterprises ('SMEs', organisations with between 10 and 250 staff) also responded (36%). Ninety-one per cent reported having at least some volunteers among their workforce. Half (50%) reported an annual turnover of up to £100,000, 31% between £100,000 and £500,000, and 19% more than £500,000[6].

Organisation objectives and activities

Organisations often provided a range of goods and services, most often including: support services for a specific group/community (68%), education and training (60%) and advice and guidance (52%) (Figure 3.2).

[6] Base: All respondents answering the question (89)

Figure 3.2: *Goods and services provided (multiple responses allowed)*

Base: All respondents answering the question (114)

When asked what their social objectives were, organisations outlined a wide variety of activities that they offered, including 'general support', 'care' and 'education and training', among other things (Table 3.3). Ninety-three per cent of organisations stated that they had a specific 'primary beneficiary group' that they worked with, which were most commonly children/young people (18%), local people/communities (15%) and the 'generally disadvantaged' (11%) (Table 3.4).

Table 3.3 and 3.4: *Organisation objectives (main activity and primary beneficiary group)*

MAIN ACTIVITY PROVIDED	%	N
General support	25%	28
Care	19%	22
Education/training	15%	17
Community activity	11%	12
Agriculture/horticulture/ environment	11%	12
Arts	4%	5
Business	4%	4
IAG	3%	3
Housing	2%	2
Criminal justice	2%	2
Other	5%	6
Don't know	1%	1

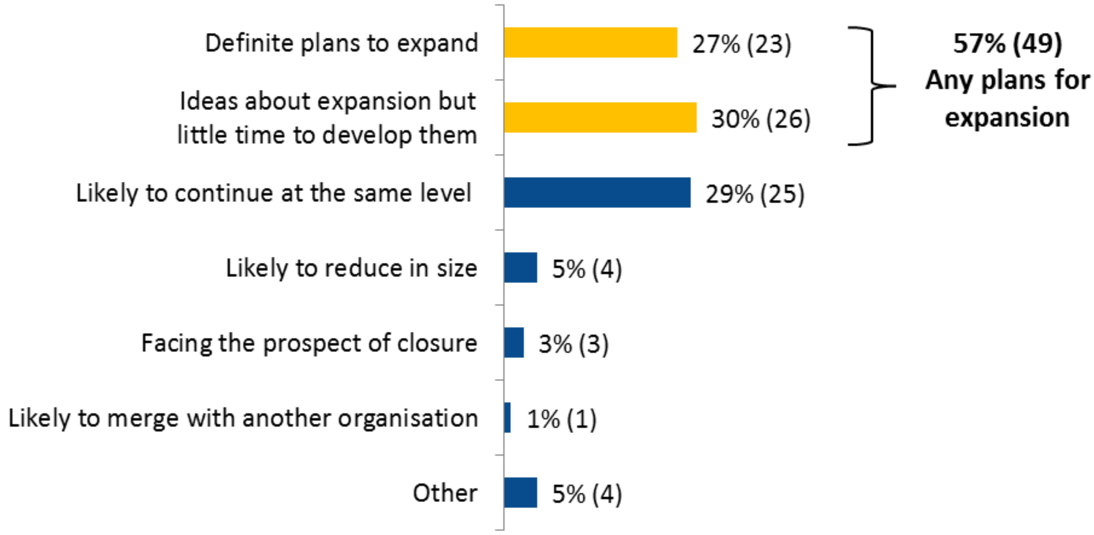
PRIMARY BENEFICIARY GROUP	%	N
Children/young people	18%	20
Local people/community	15%	17
General disadvantaged	11%	13
Homeless/vulnerable people	10%	11
Families	9%	10
VCOs/businesses	9%	10
People with mental health problems/learning disability	5%	6
Older people	5%	6
People with disabilities/ sensory impairments	4%	5
Carers	3%	3
Other	4%	5
All people (no one group)	***7%***	***8***

Base: All respondents answering the question (114)

Future prospects

Over half (57%) of the responding organisations had plans for expansion: 27% had definite plans to expand whilst 30% said they had plans to expand but little time to develop them. Although base sizes mean that sub-group comparisons should be treated with caution[7], social enterprises appeared more likely to be considering expansion (71% compared with 50% of charity/voluntary organisations). Only a few organisations said they faced closure (3%) or that they would contract in size (5%).

Figure 3.5: *Future prospects*



Base: All respondents answering the question (86)

[7] 28 social enterprises, 58 charity/voluntary organisations

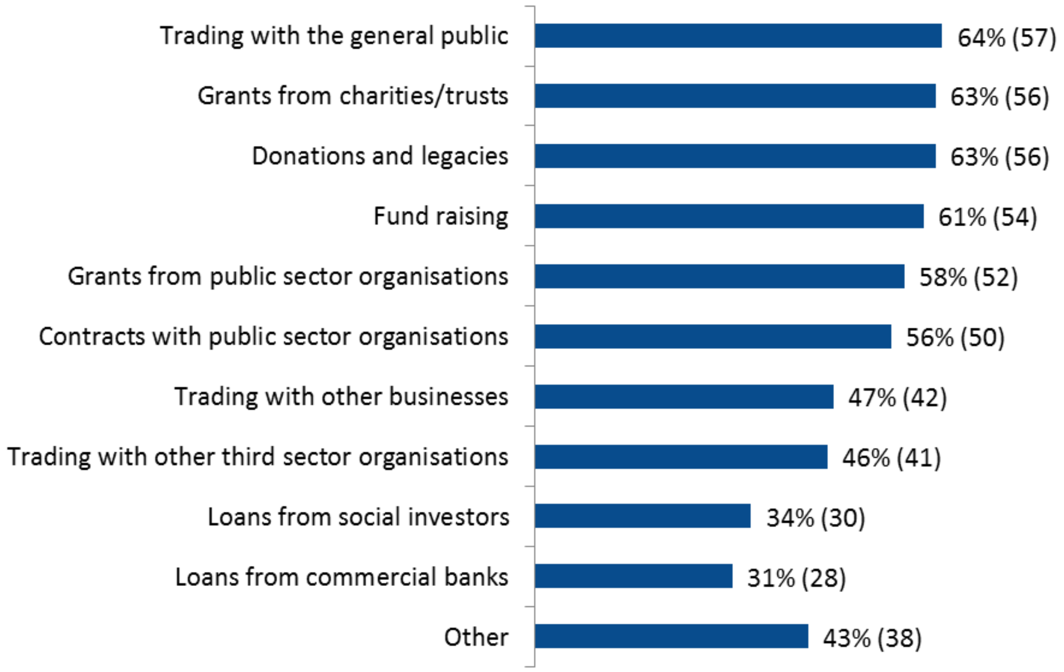
4. Trading activity and sources of income

Many respondents to the telephone interviews were aware that they are not able to take on borrowing unless they first have a means of repaying a loan from their revenue generation. In other words, they must be earning income through trading before they consider borrowing – not as a consequence of borrowing.

Over half (58%) of all respondents to the online survey specified – when asked spontaneously (i.e. with no prompting about what 'trading' encompasses) - that they were currently trading, with almost three-quarters of these having done so for five or more years.

Respondents were followed up later in the survey in more detail about the kinds of income they are receiving (as well as what proportion of their total income each strand of income constitutes) so that earned income and traditional grant income could be identified. As shown by Figure 4.1 below, respondents had a diverse range of income sources with traditional sources such as donations/legacies (63%), grants from charities/trusts (63%) and fund raising (61%) all commonly mentioned.

Figure 4.1: *Sources of income (multiple responses allowed)*



Base: All respondents answering the question (89)

In order to ascertain the proportion of organisations earning income from trade, the following four categories were aggregated:

- Trading with the general public (64%)
- Trading with other businesses (47%)

- Trading with other third sector organisations (46%)
- Contracts with public sector organisations (56%)

Overall, 72% of the respondents that answered this question were earning income through any of the above trading activities.

Table 4.2 below shows the importance of trading activity – in terms of overall turnover - to the organisations in the sample. Almost half (47%) were generating more than half of their total turnover through trading activity, with 36% generating more than three-quarters of their turnover in this way.

Table 4.2: *Proportion of income earned through trade*

Proportion of income earned through trade	0%	1-25%	26-50%	51-75%	76-100%
Proportion of respondents	28%	15%	9%	11%	36%

Base: All respondents answering the question (89)

When calculated across the organisations included in the sample, just over half (54%) of the total income of the sample was earned through trading (Figure 4.3 below).

Figure 4.3: *Trading and non-trading income as a percentage of turnover*

Base: All respondents answering the question (89)

5. Accessing finance

Loan finance

All survey respondents were asked whether their organisation had ever applied for loan finance. Of the 89 respondents who answered this question, 13% had ever done so (albeit one respondent unsuccessfully). A further 9% had considered borrowing but not pursued this option, with risk identified as a significant reason (including the personal risks to trustees of borrowing).

Amongst those that had applied for (and received) loan finance, a mix of lenders were named as investors, including three high street banks and four social lenders. Three respondents (of the 11 that had received loan finance) identified that they had negotiated finance from two providers, consisting of: two social lenders, one social lender and one commercial lender and one grant funder and a commercial lender. This may relate to the way that social enterprises and voluntary organisations are used to negotiating packages of funding/finance or that they have been unwilling or unable to borrow from a single source.

One respondent to the telephone interviews – who had not yet borrowed money via a loan, but was intending to do so - said that the interest rates of social lenders were high and they were therefore planning to seek finance from a range of sources including social lenders and commercial lenders.

However, even though social lenders were seen as more expensive by some respondents, the following comment suggests that, as with providers of business support (see following chapter), knowledge and understanding of the third sector, its values and ways of working is valued when organisations are looking for a finance provider:

> *"Our experience with Charity Bank was good, they instinctively knew about us, our governance process, dealing with trustees. However, the interest on loan is 6% - I feel this is high." [Trading voluntary organisation]*

Of the eleven respondents to the online survey that had borrowed money, most had used it to buy assets including buildings or land. No respondents had used the loan for general revenue purposes/working capital.

Barriers to growth and finance

The 20 respondents to the telephone interviews had been selected on the basis that they thought their organisation would grow or they would like to grow but struggled to find the time to devote to planning. They were asked in detail about the barriers were that might discourage growth (including their ability or willingness to access finance).

A number of barriers to growth and taking on loan finance were identified, including:

- Insufficient capacity / being over-stretched
- Organisations not having sufficient financial management systems to take on borrowing

- A risk averse culture within organisations – and in particular amongst boards of trustees
- Organisations not earning enough income through trading to repay a loan
- Commissioners not paying the full value of delivering the contract
- Short-term contracts from public authorities not providing enough security to borrow against. For example, as the following respondent noted:

  "If we get long term contracts for services we can improve our buildings and improve the [customer] experience." [Social Enterprise]

A number of respondents also cited current issues in the trading environment that affect their willingness to borrow. For example, some organisations felt they were struggling to meet growing demand for their services with dwindling resources and did not feel that they had the capacity to do the necessary business planning. Brexit was also mentioned by a number of organisations in terms of uncertainty in the economy (fewer people moving house or buying new furniture, changing workforce, etc.).

Data from a recent national study of social enterprises by Social Enterprise UK (SEUK)[8] found that "access to funding or finance is still the principal, most significant barrier to sustainability [and/or growth] cited by respondents"[9].

The study found that more than four out of ten (44%) of all social enterprises surveyed had sought funding or finance or capital over the previous 12 months[10]. Of those that had not done so, a third (34%) had considered doing so but had decided against it.

The main reasons given for not obtaining finance were:

- Knowing where to find appropriate finance (15%)
- Wrong timing/ongoing (15%)
- No finance required (15%)
- Confidence and skills to take on finance (13%)
- Thought you would be rejected (13%)
- Time pressures/lack of resources (13%)
- Cost of finance (11%)

The SEUK report goes on to state that:

"Of the most common reasons cited, several are internal to the enterprises

[8] State of Social Enterprise 2015, Social Enterprise UK. Available at: https://www.socialenterprise.org.uk/state-of-social-enterprise-report-2015

[9] The survey asked all social enterprises what the three most significant barriers were to their sustainability and/or growth: 39% mentioned access to funding or finance, which was made up of those mentioning access to grant funding (25%) and access to debt or loan finance (14%).

[10] This included a range of funding or finance options including grants, loans, leasing/HP, mortgage, and more

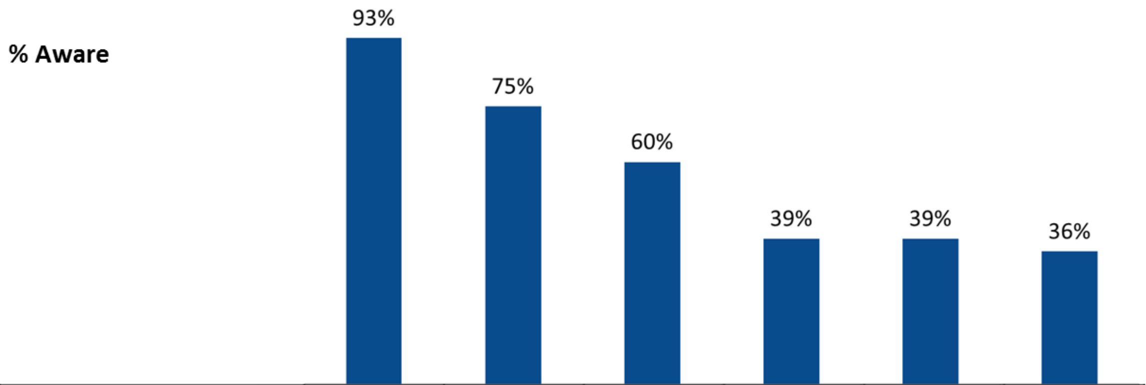
themselves – timing, workload or finance simply not being needed. However, it is interesting to note some barriers here that could be addressed by relevant agencies in terms of support and outreach: according to the data, navigation, building confidence and skills, and addressing myths and fears (of rejection) are all more significant barriers than the cost of finance."

It should be noted that the sample in the SEUK survey included a higher proportion of larger and longer established social enterprises than the Essex survey and that the respondents include a number of large, national organisations. Nevertheless, knowledge and capacity to borrow appears to be a significant barrier.

Awareness and knowledge of social investment products and providers

All respondents were asked what forms of social finance they were aware of and what levels of knowledge they had of each (Figure 5.1 below). Of the 87 respondents who answered this question, over half had not heard of community bonds (64%), community share issues (61%) or social impact bonds (61%). Forty per cent of respondents were not aware of social lenders offering repayment finance.

Figure 5.1: *Awareness and knowledge of types of social investment*



	Crowd funding	Credit unions	Repayment loans	Social impact bonds	Community share issues	Community bonds
NET: Aware of this	**93%**	**75%**	**60%**	**39%**	**39%**	**36%**
Have used this	*8%*	*2%*	*2%*	*0%*	*1%*	*0%*
Have had contact with a provider	*8%*	*5%*	*6%*	*1%*	*0%*	*0%*
Know a little about	*40%*	*33%*	*22%*	*9%*	*14%*	*9%*
Heard about	*37%*	*34%*	*30%*	*29%*	*24%*	*26%*
Not aware of this	**7%**	**25%**	**40%**	**61%**	**61%**	**64%**

Base: All respondents answering the question (87)

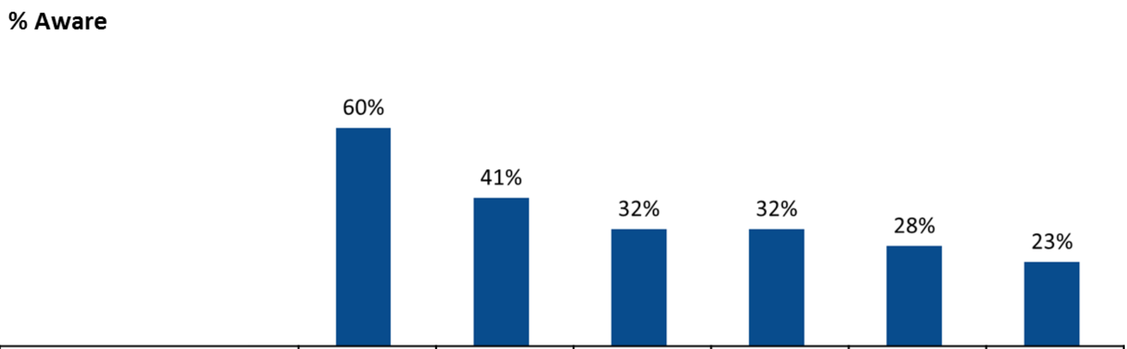
The highest level of awareness (93%) was for crowd funding: 8% said they had used crowdfunding, a further 8% had had contact with a crowdfunding provider and 77% knew a little about or had heard about crowdfunding. Overall however, the use of social investment products was low: only 1% (one respondent) had used a community share issue, 2% (two respondents) a repayment loan and 2% (two respondents) a credit union, though it is not clear in what capacity.

These findings demonstrate a significant lack of knowledge – and usage - of the different sources of social finance amongst survey respondents.

Survey respondents were also asked which social lenders they had heard of. Amongst the 87 respondents that answered this question, Charity Bank had the highest overall recognition rate (60%), followed by Unity Trust (41%) Triodos and Big Issue Invest (both 32%). Triodos and Unity Trust had each been used by 5% of respondents. However, as neither was mentioned by those respondents that had borrowed money, it may be interpreted that they had been used for bank account services rather than as lenders.

The providers with the lowest recognition rates were Key Fund (23%) and Foundation East (28%). The level of recognition for Key Fund is not surprising as the focus of this organisation has historically been more in the North of England but the response for Foundation East is unexpected as it is based in Bury St Edmunds and serves the East of England.

Figure 5.2: *Awareness and knowledge of social investment providers*



	Charity Bank	Unity Trust Bank	Triodos	Big Issue Invest	Foundation East	Key Fund
NET: Aware of provider	**60%**	**41%**	**32%**	**32%**	**28%**	**23%**
Have used provider	3%	5%	5%	2%	0%	0%
Have had contact with provider	6%	1%	3%	2%	5%	1%
Know a little about	14%	6%	7%	7%	6%	6%
Heard about	37%	29%	17%	21%	17%	16%
Not aware of provider	**40%**	**59%**	**68%**	**68%**	**72%**	**77%**

Base: All respondents answering the question (87)

Views on using social finance

The telephone interviews provided the opportunity to discuss what respondents' experiences and motivations were regarding social finance. It should be remembered that the telephone interviewing set out to speak with organisations that had used social finance or were likely to use it in the near future, and therefore the responses described are therefore not necessarily representative of the wider sector.

The 20 organisations interviewed were asked to state how likely they are to use a form of social investment in the next three years, on a scale of 1 to 10 with one being 'very unlikely' and 10 being 'extremely likely'.

The majority of this small sample stated it was more likely than not to use some form of social finance in the near future (Table 5.3). Given this sample included organisations that have previously used social investment, it suggests a willingness to continue to use these sources once they have some experience. Indeed, one respondent had used social investment finance in a previous post but was actively planning to do so in the organisation where he now works.

Table 5.3: *Likelihood of using social finance in the near future (Number of responses shown)*

1 – very unlikely	2	3	4	5	6	7	8	9	10 – extremely likely
2	-	-	-	5	1	2	4	1	3

Base: All respondents to the telephone interview that answered the question (19)

The responses suggested that the key characteristic that defines whether an organisation is likely to borrow or not is most likely to be its size and its existing level of trading, rather than whether or not it identifies as a social enterprise.

Amongst respondents to the telephone interview, a number also appeared to be open to the more innovative approaches to generating income. For example, one respondent was working with a specialist provider to set up a community bond; another said that they would only use crowdfunding and would not use debt finance because they were willing to use innovative approaches but did not want to be in debt. Another respondent highlighted their experience of having used crowdfunding, including the level of input required to achieve their funding goal:

> *"We raised £20,000 from crowd funding. It validates the model, shows people are keen – lots of people gave small amounts which shows wide appeal. It was a pain doing it but it was worth it – it took six weeks, non-stop."[Social Enterprise]*

6. Accessing business support

Support currently accessed

The online survey asked respondents if they had received any business support in the past year. Of the 87 respondents that provided a response to this question, 33% said that they had received support. Those that had (29 respondents) were asked in more detail about the support received.

Due to the low base size (29), the following survey questions are reported as the number of responses rather than percentages.

A range of sector-specific sources of support had been accessed alongside more general business support. The most frequently used forms of support were accountants (15 respondents) and solicitors (10 respondents). Smaller numbers had used traditional voluntary sector support organisations or local councils (7 each). Other sources included:

- Business operational support (HR, IT) x 5 respondents
- Other third sector organisations x 4
- Consultants x 4
- Inspire 2 Enterprise x 3
- Social Enterprise UK x 3

Further exploration of this as part of the follow up telephone interviews showed that support in planning and running their organisation commonly came from networks and relationships within the sector, including:

- Partner organisations and networks (x 6 respondents)
- From our trustees (x 4 respondents)

Indeed, as one respondent mentioned:

> *"We're now looking at business networks with other social enterprises."*
> *[Social Enterprise]*

Linked to the above, several respondents to the telephone interviews also highlighted that they felt it was beneficial if the support organisations they worked with had specific expertise in social enterprise, or supporting value-led organisations.

> *"We mainly choose people who support innovation." [Social Enterprise]*

The majority of survey respondents who had received business support said that they had paid for the support they had received. Most of these had paid for the support out of their own funds but some also commented that they had received some paid for and some free help (either pro bono or from a funded provider), which is perhaps indicative of a lack of funded business support services available for social enterprises.

Future support needs

Survey respondents were asked whether they would consider paying for business support. Of the 86 respondents who answered this question, exactly half (50%) said they would.

Respondents were also asked about the sort of business support they might need in future. Funding support was the top response, mentioned by over half (61%) of those who answered the question.

Around a third identified a future need for support in developing goods and services (38%) and marketing (30%) – both related to developing trading activity – as well as measuring impact (also 30%). Figure 6.1 below shows the full range of responses.

Figure 6.1: *Future business support needs (multiple responses allowed)*

Base: All respondents answering the question (86)

Measuring Impact

During the telephone interviews, respondents were asked about what they are doing to measure the social impact they are creating. There was a wide range of responses, ranging from those who are not doing anything to measure impact, to those who are doing some work but not doing it systematically across the organisation, to those who are using established tools as part of their management systems, often in partnership with commissioners or other partner agencies.

In combination with the findings from the online survey, there appeared to be a clear business support need around measuring impact where:

- A number of the respondent to the telephone interview (6 of the 20) said that they are consciously trying to get better at measuring impact or would actively like to do so
- Some said that they were collecting information about how individuals were making progress but not necessarily aggregating the findings to show the impact of the organisation as a whole

The importance to their organisation of being able to measure and demonstrate impact was described by one respondent as follows:

> *"At a strategic level we need to know what is our social impact and at the operational level we need a gap analysis between where we are and where we need to be." [Social Enterprise]*

For organisations looking to demonstrate impact to social investors, the ability to effectively measure and report their impact is vital.

7. Summary

Key findings

- The research found low levels of awareness around what models of social finance are available and who the providers are. However, organisations that had used social finance or other loan finance were mostly positive about the experience and indicated they would borrow again in future. As such, the research highlighted a need to raise awareness across the sector in Essex, with the opportunity to learn from the experiences of organisations that have accessed social investment.

- The research also found limited experience of accessing loan finance in Essex, with risk identified as one of the main reasons for choosing not to borrow. Many respondents were aware that they are not able to take on borrowing unless they first have a means of repaying a loan from their revenue generation; as such, larger organisations that were already earning income through trading were more likely to be open to taking on a loan.

- However, more than half of the organisations surveyed had plans to expand, although a significant proportion reported a lack of capacity in terms of the time required to develop their plans.

- In addition, the research identified a number of other barriers to growth and taking on loan finance, including:
  - A risk averse culture amongst organisations and trustees
  - Not generating enough income through trading to repay loans
  - Short-term contracts not providing enough security to borrow against
  - Insufficient capacity or financial management systems to take on borrowing

- Finally, the research identified a need for organisations to have access to tailored business support, including to help them develop trading activity. Whilst many organisations were already accessing business advice and support from a range of sources, it found that the support received from peers and networks tended to be particularly valued. In addition, the research also found a preference for advisers with specialist knowledge of social enterprise working or supporting value-led organisations, which in some cases could be difficult to find.

Recommendations

The Essex Partnership identified a need to stimulate social investment and business engagement in community projects and to strengthen the capability of the sector to lever investment. The intention is to help build a sustainable VCSE sector that can face the business challenges of the future.

From the research, a number of recommendations were identified for the programme, as well as the wider system in the longer term, to support the growth of social investment across Essex:

1. Support in business planning and finance to help organisations assess risk
2. Raising awareness of the Social Investment ‘offer’ to help to grow the market
3. Providers bringing knowledge in to help increase awareness and competition
4. Peer to peer support to help disseminate existing knowledge and experience
5. Longer contracts from public sector customers to help financial planning for growth
6. Trustee involvement in training and development to help them become less risk averse

The Essex Social Investment Readiness Programme aims to address some of these recommendations in raising awareness and improving access to social investment opportunities. It is also intended that the development of an Essex Social Enterprise Network will support the sector to address the wider needs reflected by the research.

Social Enterprise East of England
admin@seee.co.uk