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Pembrokeshire Community Foundation Study

Final Report

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Abbreviations

Abbreviation	Meaning
BenCom	Community Benefit Society
CDFI	Community Development Finance Institution
CITR	Community Investment Tax Relief
CLG	Company Limited by Guarantee
CLS	Company Limited by Shares
CU	Credit Union
EFG	Enterprise Finance Guarantee
EIS	Enterprise Investment Scheme
FCA	Financial Conduct Authority
LAG	Local Action Group
LDS	Local Development Strategy
PAVS	Pembrokeshire Association of Voluntary Services
ROCBF	Robert Owen Community Banking Fund
SBGF	Social Business Growth Fund
SBW	Social Business Wales
SITR	Social Investment Tax Relief
SPV	Special-Purpose Vehicle
SWOT	Strengths, Weaknesses, Opportunities, Threats
WCVA	Wales Council of Voluntary Action

Executive summary

1.1 Background and approach

Commissioned by Arwain Sir Benfro, the Local Action Group (LAG) for Pembrokeshire, this study considered different opportunities and models for establishing a special-purpose vehicle for local giving and social investment in Pembrokeshire, referred to as the Local Fund in this report.

The research approach combined primary research in Pembrokeshire through interviews with community organisations and other local stakeholders with specialist organisation interviews, study visits, and extensive desk research.

The initial specialist organisation interviews suggested that clearly identifying the precise market gap that is to be addressed by raising additional finance is a key first step. Clarity regarding the precise mechanisms and functions for a Local Fund in Pembrokeshire and how they relate to an identified market gap in terms of community funding/finance in the county is important in considering the potential for the creation of such a fund. A detailed market analysis was therefore undertaken before identifying different models and opportunities.

1.2 Market analysis results

A number of markets need to be taken into account in considering whether there is an opportunity for a Local Fund to enhance the provision of community funding/finance in Pembrokeshire. The market analysis undertaken for this study suggests that — on the supply side — there is an opportunity to raise additional charitable donations for causes in Pembrokeshire. At the same time, however, the research also highlights that there is a lack of demand-side capacity — community organisations in Pembrokeshire — to make effective use of additional funding/finance. Existing social investment offers are not currently taken up by community organisations in Pembrokeshire and grants are not used effectively to nurture social enterprise capacity.

Adding a further grant scheme to the already complex grant funding landscape has the potential to distort the market with detrimental long-term effects on the availability and appropriate mix of funding/finance options available to organisations in Pembrokeshire.

The specialist organisation interviews further identified that a clear proposition as to how any funding/finance raised will be used to generate social benefits in the county is a prerequisite for raising charitable funding and/or attracting social investment finance. Stimulating demand by building community enterprise capacity and identifying clear, specific strategic objectives for the role of community enterprise in enhancing economic development is therefore required as a first step in attracting and making effective use of additional community funding/finance.

The market analysis identified three main gaps or opportunities with respect to strengthening community finance in Pembrokeshire:

1. Translating latent into expressed demand for social investment by stimulating community enterprise activities and proactively nurturing enterprise and fundraising/investment capacity in community organisations in specific thematic and/or geographical areas;
2. Nurturing a culture of philanthropic giving and/or community investment in Pembrokeshire;
3. Creating an ecosystem to match supply and demand (e.g. brokering in existing funding/finance offers, making strategic gap funding available, and stimulating/supporting business startups).

An important current development that needs to be considered in the ultimate go or no-go decision regarding the creation of a Local Fund relates to the People's Bank that has been signed off by the First Minister and is in early stages of development.

1.3 Potential functions and models for a Pembrokeshire community fund

A key role for a potential Local Fund for Pembrokeshire would therefore consist in nurturing a social enterprise ecosystem that can stimulate demand for social investment and support the identification of market opportunities and the development of viable business models in key thematic or geographical areas with a view to getting community organisations in Pembrokeshire investment-ready. This role can be delivered through different combinations of functions. However, clarity regarding the precise focus of a Local Fund in delivering the remit of strengthening the social enterprise fabric in Pembrokeshire and making a combination of social enterprise support and funding/finance accessible for community organisations in the county is important for effective delivery.

Six potential models delivering different combinations of functions and using different entry points in order to deliver on this overarching role of stimulating demand and nurturing social enterprise capacity can be identified as follows:

1. A **flexible local grant fund** to stimulate the uptake of and develop the capacity for social investment in community organisations in Pembrokeshire and create momentum in key thematic areas;
2. A **Pembrokeshire donor circle** to actively engage donors in supporting community enterprise development and nurture a culture of venture philanthropy in Pembrokeshire;
3. A **community enterprise convenor** to catalyse local/thematic community enterprise ecosystems and support community organisations in getting investment-ready and using existing social investment sources;

4. A **targeted gap funder** adopting a brokerage role to identify specific untapped investment propositions and complement and catalyse the existing community investment offer;
5. A **community equity asset developer** to secure community ownership of an asset(s) that can generate income for community reinvestment and nurture confidence in the community enterprise ability to profitably manage community assets;
6. A **community investment facilitator** nurturing CDFI (Community Development Finance Institution) capacity to create a mechanism for targeted local investment and incubate community development finance capacity/institution in and for Pembrokeshire.

1.4 Next steps

A key first step in making a go/no-go decision regarding the creation of a Local Fund for Pembrokeshire and choosing one of these high-level options is to develop a vision for community enterprise and define the precise strategic objectives for a Local Fund. Without this, there is a risk of effort and resources becoming focused on creating, managing, maintaining and financing an organisational vehicle without it delivering the social benefits that it is expected to create.

It is on the basis of this initial decision that the detailed configuration of a Local Fund in terms of the business model, partnership arrangements, decision-making processes, specific tools to be used and the type of firm to be adopted can be developed.

The detailed next steps involved in deciding whether a Local Fund should be created and what this should look like are to confirm the precise market gap or opportunity, design the precise model for the Local Fund, assess feasibility and undertake market testing and, finally, proceed to implementation if the conclusion is that there is indeed a role and viable model for such a fund.

2 Introduction

This report presents the findings from the scoping study on different opportunities and models for establishing a special-purpose vehicle for local giving and social investment in Pembrokeshire. The research for this report was undertaken from July 2018 to January 2019.

2.1 The study

The study was commissioned by Arwain Sir Benfro, the Local Action Group (LAG) with responsibility for the LEADER programme in Pembrokeshire. The objective was to research different models and opportunities for establishing a special-purpose vehicle for local giving and social investment in Pembrokeshire.

In line with the LEADER approach, the study was commissioned and framed in the context of the Local Development Strategy for Pembrokeshire, which contains a set of rural development actions and objectives that have been suggested by local communities in the LAG territory. The associated SWOT analysis of the area had identified opportunities for additional community self-financing ideas and new ways of working. A specific action to undertake an “Exploration and implementation of community finance initiatives” was identified under Theme 3 of the LDS.

Over and above the strategic objectives as identified in the LDS, with the announcement of Brexit and the withdrawal of future European funding from the West Wales & the Valleys region, establishing a new mechanism for funding community action, social enterprise and innovation in the county was seen as particularly urgent.

The overarching aim of the scoping study was to research the options for establishing a new community finance initiative in the county, with a view to creating a legacy fund to replace (at least in part) the LEADER funding.

In detail, the aim of identifying options for creating a special-purpose vehicle (SPV) for local giving and social investment in Pembrokeshire entailed consideration of the following aspects of establishing a community fund/foundation:

- Ensuring that the preferred model meets the LAG requirement for local determination of local priorities for investment and grant giving.
- Exploring the opportunity for greater coordination between existing grant-giving organisations and social lenders within Pembrokeshire, and the development of a more strategic approach overall.
- Ensuring that there is a mixed offer of non-repayable finance (grants) and repayable finance (social investment) that supports community startups and social businesses, thus using the fund locally to promote economic activity and job creation.
- Exploring the potential to establish a property portfolio for holding and managing property and land to provide annual returns for distribution, as well as the potential to set up an endowment.

- Achieving better promotion of opportunities for philanthropic giving across Pembrokeshire through joint approaches, networks, Champions, etc.
- Building a strategic approach to local giving and investment, including legacy funding, payroll giving, collaborative fundraising, donations, social “angels”, former Pembrokeshire residents, etc.
- Understanding the potential to engage with private sector businesses in the county to establish the scope for businesses to link with the community fund/foundation through corporate social responsibility commitments.
- Developing a better understanding of levers that can be used to encourage social investment and charitable giving, such as the Social Investment Tax Relief, Gift Aid, etc.
- Considering how digital platforms can be utilised to allow people to give online and to promote the Pembrokeshire fund/foundation.
- Liaising with Community Foundation in Wales (www.cfiw.org.uk) to fully understand the advantages and disadvantages of setting up a Pembrokeshire fund within their national structure.
- Recommending an appropriate legal structure and business model for the Pembrokeshire community fund/foundation that embeds cooperative principles.
- Advising on regulatory compliance and registration with bodies that will give confidence to both donors and lenders that their money is safe and will be spent in accordance with their wishes.
- Identifying potential risks and mitigating actions.

2.2 The approach

The scoping study was undertaken in the following main stages:

1. **Project inception:** An inception meeting with the project Steering Group allowed the confirmation and refinement of the overarching research aims. It was agreed that clarifying the role of and relationships between the diversity of mechanisms and approaches included in the specification needed to be a key focus in the first stage of the research.
2. **Desk research:** The initial desk research stage adopted a documentary review approach to identify specific research and analysis needs and begin to map out good practice. This was completed by drawing on the research team’s expertise in order to create a robust research framework that would allow the development of a coherent argument to support any choices regarding the creation of a Pembrokeshire community fund. In particular, the need to frame the options available in the context of a detailed market analysis was identified at this stage.
3. **Interviews with specialist organisations:** Interviews were undertaken with a small number (7) of specialist organisations. The aim was to further refine a framework for the subsequent market and local stakeholder research, structure the consideration of different options and identify good-practice examples. The expert interviewees covered a range of different perspectives (e.g. a charitable and investment environment, organisations with an immediate stake in Wales, and organisations offering in-depth insights into the broader dynamics of charitable giving and social investment) and were

able to highlight key dimensions of choice as well as identify further potential good-practice examples and study visit targets.

4. **Feedback/emerging findings meeting:** The initial findings from the desk research and specialist organisation interviews were presented in a PowerPoint format and the precise research questions for the subsequent local stakeholder engagement process were confirmed with key members of the project Steering Group and shared with the wider LAG membership. This set the scene for the second stage of the research to specifically focus on identifying specific market gaps and develop potential options in terms of the key functions that a Pembrokeshire community fund might deliver.
5. **Consultations with local stakeholders, potential partners, and local businesses:** Using the refined research questions as developed through the work up until that stage, research was undertaken in order to establish the precise gaps and opportunities in the market(s) for community finance. This involved interviews with local intermediary organisations as well as social enterprises and community groups in Pembrokeshire. An opportunity was also created for social enterprises and community groups to provide input and feedback through an online survey.

Organisations were invited to contribute their views through an online or telephone survey which was promoted at a PAVS funding fair in November 2018. Contacts for sampling purposes were drawn from a database supplied by the Local Action Group (LAG). In total, 11 organisations responded to the invitation, eight through the online survey and three via telephone, representing a 48% response rate.

Responses were received from a diverse range of organisations, from a volunteer-led community group with a turnover of only £4k a year through to large, established organisations with over 40 staff members and an annual turnover approaching £650k. Respondents also undertook a broad range of activities, including promoting and celebrating local heritage and developing and maintaining community assets.

6. **Study visits and virtual meetings:** A long list of 13 potential study visits¹ was developed and presented to the project Steering Group and shared with the wider LAG membership. Four of the good-practice models were chosen as a result and contacted by the study team. This resulted in one virtual meeting (with the Two Ridings Community Foundation/Harrogate Local Fund) and two study visits (Open Newtown and Robert Owen Community Banking Fund) that were organised and facilitated so as to allow LAG members to learn from the experience of other similar initiatives.
7. **Options development:** Drawing on all of the research and analysis results, the rationale and specific functions of a potential Pembrokeshire community fund were considered, and key dimensions of choice reviewed in order to enable a clear framing of potential delivery options. This was followed by the development of a series of potential generic options for such a fund to support decision making regarding the potential to create a dedicated Pembrokeshire community fund.

¹ See Annex 2.

2.3 The structure of the report

The report presents the findings from the research undertaken, draws conclusions regarding the potential functions that a Pembrokeshire community fund could deliver, and develops high-level options for the role and model that such a fund might adopt.

The report is structured in seven main sections. Section 2 clarifies key terms and relevant funding/finance mechanisms in order to ensure analytical clarity for the research and analysis results. It also prefaces the discussion with some key messages from the specialist organisation interviews that shaped the subsequent research approach and analysis framework.

Section 3 presents the key findings from a detailed market analysis, which is included as an annex to this report. This creates the backdrop for a discussion surrounding key dimensions of choice for the creation of a potential Pembrokeshire community fund in Section 4.

Section 5 then focuses on identifying a series of generic functional models that may be considered in order to respond to the specific market gaps identified. Each option is presented with a consideration of the rationale and key objectives, thoughts on the 'moving parts' required as well as pros and cons associated with each option. Finally, Section 6 provides key conclusions and outlines the next steps in deciding on and implementing such a fund.

3 Research and analysis framework

3.1 Clarity of language

The issue of making appropriate finance available for community economic development and social enterprise has been at the forefront of communities', social economy practitioners' and funders' minds for some time and a plethora of approaches, organisational vehicles and specific mechanisms to raise and distribute funding for such activities have been developed in recent years. It is therefore important to ensure clarity regarding the terms used in presenting the findings from the research and analysis undertaken.

The specification for this work uses several terms interchangeably, which, for the purposes of considering specific options, need to be clearly distinguished as follows:

- **Community foundation:** As a generic term, this originally referred to organisations seeking to pool donations in order to make grant funding available for the socioeconomic improvement of a given place. In the UK, however, the term “Community Foundation” has come to be associated almost exclusively with the network of 46 accredited Community Foundations that operate under an umbrella structure throughout the UK.
- **Community finance initiatives:** The term “community finance initiative” was originally coined to describe a diverse range of finance initiatives (e.g. community loan funds and microcredit schemes) that aimed to provide finance for businesses and social enterprises (as well as individuals) that are unable to obtain traditional sources of finance. In the UK, the term “Community Development Finance Institution” (CDFI) has largely replaced the broader term and has come to be used almost exclusively for a specific type of financial intermediary². This is largely the result of the evolving regulatory framework for such activities.

In the remainder of this report the term “Local Fund” is used to describe an as-yet-to-be-defined organisational vehicle through which to deliver the generic function of raising funding (charitable donations, grants, etc.) and/or finance (social investment with an expectation of a financial return) and distributing it to community organisations in Pembrokeshire through grants, loans or equity investment.

3.2 Initial key messages from specialist organisation interviews

The interviews with specialist organisations were designed to strengthen and refine the research approach and ensure that the current study could make a rigorous contribution to early decisions regarding the creation of a Local Fund. A number of key messages, which shaped the subsequent research approach and analysis framework, emerged as follows.

² In the UK the association for CDFIs, the CDFA, changed its name in 2016 to Responsible Finance, representing what are now referred to as RFPs, i.e. Responsible Finance Providers. However, the term “CDFI” is still better understood than “RFP”.

- There is a risk in assuming that the financial market is failing to provide, and that would-be enterprises are not able to start up or develop as a result. The first step in considering different options to enhance the availability of community funding/finance needs to be a market analysis in order to clearly identify the precise market gap that is to be addressed. Without this, there is a risk of distorting the market, which would ultimately curtail the availability of different kinds of finance for community enterprise.
- In the crowded space that is the community funding/finance market, any effort to play a role in attracting additional funding/finance needs to be based on a clear proposition — to the demand and supply sides, clear messages about how the funds will enable activities that can deliver social benefits.
- It is unusual for organisations to combine diverse ways of raising and allocating funding/finance. This is certainly true for new organisations, but also tends to be the case for more mature organisations (e.g. Community Foundations, CDFIs, etc.), which tend to focus on either charitable giving/grants or social investment/debt & equity finance.

The results from the specialist organisation interviews suggest the following sequence of questions to support the choices that need to be made:

1. **Latent demand – overarching local development rationale:** What is the gap in the market for community finance that is not being met in Pembrokeshire — currently and over a 2–5-year time horizon? In other words, which social benefits that could be translated into a proposition to donors/investors could be delivered if more funding/finance were available to community organisations in Pembrokeshire?
2. **Expressed demand – organisational capacity to absorb community funding/finance:** On what terms could the respective organisations make effective use of any additional funding/finance? How could community organisations be supported in developing the capacity to absorb more diverse types of funding/finance?
3. **Investor interest – supply of charitable funding/social investment:** Who is interested in making funding/finance available for the resulting proposition?
4. **Mechanism to match supply and demand:** What functions and capacities are needed to match the (latent) demand for community finance with the respective supply of charitable funding/social investment finance for community development?
5. **Specific choices regarding the type of firm and business model:** What specific capacities, powers and strategic, operational and financial arrangements does a potential Pembrokeshire community fund require in order to source and distribute the types of funding/finance that have been identified as desirable?

Drawing on these initial insights, it was agreed at the interim stage of this study that the subsequent main research phase would focus on a review of the supply and demand side of the market for community funding/finance in Pembrokeshire and, on that basis, consider options regarding the function and proposition of any new organisational vehicle through which to support and enhance community finance in Pembrokeshire.

3.3 Key funding/finance mechanisms

In considering the different functions that a Local Fund would have to deliver in order to enhance the availability of funding/finance for community activities in the county, it is useful to initially distinguish different ways of raising and allocating/distributing funds.

3.3.1 Ways of raising funding/finance for community activities

In very broad terms, the following main ways of raising finance for community activities can be distinguished for the purposes of this study:

- **Donations:** Donors will give small (fundraising from the general public for charitable purposes) or large (e.g. major donors, legacies) gifts of money to support causes about which they care. There is no expectation of a direct financial return but depending on the size and nature of the donations, donors may want to exert varying degrees of influence over how the funds are spent (e.g. in Donor-Advised Funds, the donor plays a role in deciding how the funds are used).
- **Grants:** A plethora of organisations will make grants not only to individual community organisations, but also to third sector infrastructure organisations who themselves will then be charged with managing a particular grant scheme to allocate the funding to the most appropriate community activities.
- **Philanthropic capital:** Individuals or organisations making philanthropic capital available have clear ideas about the kind of return that they want to achieve. In contrast to donors, however, these are much more closely linked to a conventional financial investment logic, i.e. the ultimate aim is to enable investees to make a surplus that can be reinvested in social benefit.

Foundations and philanthropists will usually make such capital available with the aim of increasing the overall level of investment and innovation in civil society. It is often used as a financial guarantee to leverage in more funds.

Alternatively, 'venture philanthropy' is a way of active strategic giving through 'unrestricted' grants that are integrated with tailored expertise and management support to assist organisations in growing and improving social impact.

- **Social investment capital:** Getting closer to mainstream investment markets, social investment capital is governed by a clear expectation of generating a financial return on investment alongside social impact. It is usually invested over longer timeframes ('patient capital') and through a number of different products (e.g. social impact bonds, several layers of mission-driven capital investment brokerage and pooling into grants to CDFIs, quasi-equity investment vehicles such as Venturesome's Revenue Participation Agreements, etc.).
- **Generating own returns:** Generating returns from assets that are owned by a community fund or affiliated organisation represents a further way of raising finance for community activities. Such returns can be generated either directly, through trading activities in social enterprise markets (e.g. community facilities, renewable energy, etc.), or indirectly, through investing assets in financial markets (e.g. endowments).
- **Equity investment:** Finally, raising equity investment offers an additional route through which to raise funds for community activities. If an organisation's legal structure allows it, it can sell its shares to individuals or institutions. The funds can then be used for startup, growth or working capital. Community shares and non-transferable, withdrawable share capital are the most well-known types of equity investment in the community sector.

3.3.2 Ways of allocating/distributing funds

On the demand side, there are also different ways of allocating and distributing any funding/finance that has been raised. Considerable innovation in the social investment market has created a whole range of different types of repayable and non-repayable finance. However, for the purposes of this study, it is useful to distinguish the three fundamental ways of allocating/distributing funds to community organisations:

- **Grants:** The funds raised in one of the above ways can be issued to community groups in the form of grants. Specific conditions and criteria can be stipulated to support decision making regarding the allocation and distribution of the funds available, which will not need to be paid back. Over and above identifying the specific causes towards which grants are expected to contribute, they can be structured in different ways in order to support specific activities (e.g. project funding, core funding, capital funding).
- **Loans:** Loans are the most well-known type of debt finance. In order to accommodate social enterprise requirements, tailored debt finance instruments have emerged in recent years. These include blended finance (a combination of grants and loans), unsecured loans, 'patient capital' (long-term loans with typically low or no interest), specialist loan guarantees for social enterprises, etc.
- **Equity:** Funds raised for community development can also be used to make an investment by way of buying a stake in a beneficiary community organisation. A cooperative (e.g. Community Benefit Society) could reinvest such funds as an equity stake back into another cooperative so as to help incubate, grow or capitalise this company.

4 Market analysis – key messages

A detailed market analysis was undertaken that combined primary research (local and expert stakeholder interviews and a survey of community organisations) with a documentary review drawing on existing findings. The full results of this work (including all references) are presented in Annex 1. The following sections present a summary of the key messages to inform the subsequent consideration of different choices and options for a potential Local Fund.

A number of markets need to be taken into account in considering whether there is an opportunity for a Local Fund to enhance the provision of community funding/finance in Pembrokeshire. The analysis results are therefore presented in the following sections distinguishing between the demand and supply sides.

4.1 Demand side – need for community funding/finance in Pembrokeshire

4.1.1 Use of different funding/finance sources

Third sector organisations in the UK as a whole have seen an average 2% growth in income since 2000. However, smaller local charities depend disproportionately on grants and have seen real incomes fall overall. Third sector organisations in Wales are less successful in securing funding from trusts and foundations than are their peers in England. Similarly, small local organisations fare worse than the sector as a whole in securing charitable giving.

In Pembrokeshire itself, larger organisations appear to be able to secure the funding that they need, while smaller organisations, particularly volunteer-led groups, report a lack of capacity to identify and apply for funding. At the same time, competition for grants is increasing and there is ongoing pressure on other sources of income (e.g. core/grant funding from local public sector organisations).

The community organisations in Pembrokeshire that contributed to this study did not think that it was feasible for them to use social investment finance in the form of debt or equity mechanisms and are generally not yet used widely in Wales. A lack of capacity and understanding is seen as the main reason for this.

Evidence suggests that small to medium-sized charities in Wales tend to lack the dedicated resources, drive and skills development to plan for different service delivery and funding models. They require support in making the transition into a new funding environment and, in particular, to effectively increase trading opportunities. This picture is borne out by the primary research in Pembrokeshire undertaken for this study.

4.1.2 Preparing for future opportunities

A number of potential opportunities for new social enterprise activity in Pembrokeshire, which might change the nature and scale of demand for community funding/finance, were identified by local stakeholders. The need for community enterprises to develop the baseline capacity to be able to take advantage of such opportunities was widely recognised.

A range of specific potential opportunities were identified and could lend themselves to developing a clear, attractive proposition to attract supply-side interest in making additional community funding/finance available in Pembrokeshire. A clearer focus and sharper understanding of the precise types of funding/finance required and the role to be played by a Local Fund would need to be developed so as to underpin such a proposition.

Stakeholders highlighted the need to avoid any distortion of the market by adding grant funding or loan finance at heavily subsidised rates that could potentially displace existing funding/finance offers. This was seen as potentially having a long-term, detrimental effect on the availability of finance and the development of community enterprise activities.

4.1.3 Demand-side gaps identified

The overall conclusion from this demand analysis is that there is scope to bolster community enterprises' incomes. However, any new funding and/or investment finance would need to be delivered on the basis of a clear strategic direction as to how this will nurture organisational capacity and community organisations' own income-generating activities. In addition, demand stimulation and significant support in order to develop internal capacity and diversify income would be required along with the provision of additional income sources.

4.2 Supply side – competition and trends

The specialist organisation interviews suggested that there is a risk in assuming that the financial market is failing to provide, and that would-be enterprises are not able to start up or develop as a result. The supply-side analysis therefore needs to establish whether the kinds of funding/finance that community organisations in Pembrokeshire might use, if latent demand is to translate into expressed demand as a result of capacity development support, already exist.

Two 'markets' need to be considered in order to understand whether there is an opportunity for a Local Fund to strengthen the supply of community funding/finance in Pembrokeshire.

1. Firstly, the existing offer of community funding/finance (grants, loans and other debt finance, equity investment) needs to be understood.
2. Secondly, competition so as to attract any funds that could potentially be raised by a Local Fund needs to be understood — the 'markets' for charitable donations and for social investment capital.

4.2.1 Grant funding and charitable giving

There are a plethora of grant funding schemes, including a number of local Pembrokeshire grant schemes. However, there is strong competition and an expectation that grant funding will reduce further in the coming years. Local community organisations identified a need for flexible grant schemes providing core funding and/or funding that is not focused on highly specific outcomes.

There does seem to be scope to increase the overall level of charitable giving in Pembrokeshire. Key to securing donations is the ability to offer a compelling cause or narrative.

Beyond small-scale charitable donations, recent research points to a 'boom time' for UK philanthropy. Donors are becoming more strategic (e.g. using a personal foundation for planned, long-term, tax-efficient giving) and increasingly adopt an active, hands-on and highly engaged approach.

Legacy giving has been on the rise in recent years, including in Wales. However, the top 1,000 legacy charities account for three quarters of all legacies. Establishing long-term relationships is most effective in securing legacy giving.

Levering an emotional connection to Pembrokeshire and building a donor base would require a convincing offer for a Local Fund and the development of a fundraising campaign and associated brand focusing on specific local initiatives.

A large number of intermediaries covering the whole range of charitable giving create strong competition but are also potential partners for a Local Fund to generate additional donations for causes in Pembrokeshire. Community Foundations are the most visible expression of a new trend towards place-based giving, including through nurturing two-way, mutual, interactive relationships between donors and recipient groups.

4.2.2 Social investment for community enterprise

A complex landscape of organisations and schemes — within Wales or catering to Wales — also offer social investment in the form of debt and grant funding, as well as support for equity finance, e.g. community shares. A wide range of financial products are on offer, ranging from £500 to £3,000,000, with a reported success rate for social investment loan applications as high as 90–97%. However, the existing offer does not always avail in respect of effective routes to market into Pembrokeshire, which may represent an opportunity for a Local Fund.

On the social investment side of things, individual investors will often use the services of wealth managers and advisors who will either integrate impact services into portfolio management approaches or support individual direct investments in organisations delivering impact and a financial return, often using innovative impact investment models. They will be a first port of call for many affluent people, including in Pembrokeshire, who wish to invest in social good.

At the other end of the scale, dealing with smaller individual contributions, new investment tools (e.g. community shares) and new ways of identifying and connecting with potential investors through digital means enables a much more direct relationship between investors and investees. This 'alternative investment' market is expected to grow and evolve further in the coming years.

All of these routes for individual social impact investments are, in principle, open to investors (and social enterprises) in Pembrokeshire and, therefore, represent competition for a Local Fund. Stimulating and enabling individual investments in community enterprises in Pembrokeshire will need to offer an appropriate balance between raising awareness, building capacity, facilitating the use of alternative investment approaches, brokering investment relationships and pooling investment funds.

4.2.3 Fund management intermediaries

Finally, fund management intermediaries charged with achieving optimum financial returns and organisations offering the management expertise and capacity to profitably manage an investment portfolio (including access to guarantee schemes and/or match finance) represent a final element of competition for a Local Fund seeking to generate a return from a legacy fund. Building scale sufficiently quickly to a position of viability and effective competition to incumbents is challenging within a competitive, risky and costly-to-service market.

Plans for The People's Bank, a new Public Bank for Wales, are an additional development that needs to be considered in identifying potential current and future gaps in provision. It creates competition and opportunity at the same time. With a commitment to complementing existing provision from the non-bank finance sectors and the ability to wholesale capital to local/ regional retailers such as social finance providers, the new bank either may fill any gaps to which a Local Fund might be set up to cater for, or may be a strategic partner whose offer the Local Fund might play a role in effectively anchoring into communities in Pembrokeshire.

4.2.4 Gaps and opportunities identified

With this wide array of different investment and intermediary functions and services, identifying gaps in provision and untapped investment opportunities in Pembrokeshire that might have a contribution to make to nurturing a stronger community enterprise fabric in the county is a complex undertaking. The consideration of the demand and supply sides of community funding/finance in Pembrokeshire suggests that in functional terms, there are three main gaps or opportunities to strengthen community finance in the county. These are:

1. Translating latent into expressed demand for social investment by stimulating community enterprise activities and proactively nurturing enterprise and fundraising/investment capacity in community organisations in specific thematic and/or geographical areas.
2. Nurturing a culture of philanthropic giving and/or community investment in Pembrokeshire.

3. Creating an ecosystem to match supply and demand (e.g. brokering in existing funding/finance offers, making strategic gap funding available, and stimulating/supporting business startups).

Stimulating demand and nurturing capacity for community enterprise and investment readiness is a key underlying requirement for a Local Fund to make strategic sense.

5 Key dimensions of choice

Alongside those fundamental considerations regarding the overarching rationale underpinning a Local Fund, there are a number of dimensions of choice in developing potential models for such a fund. These are considered in the following sub-sections.

5.1 Potential functions for a Local Fund

For a Local Fund to deliver benefits for community organisations in Pembrokeshire, it would need to:

- Fill an identified gap in the funding/finance landscape for community organisations in the county in order to enable new enterprises to start or existing ones to develop;
- and/or
- Offer economies of scale and/or scope in comparison to the current provision of grants and loans for community activities in order to enable the community sector to deliver more/superior outcomes.

It is important to understand the different functions that an organisation with a remit to improve the availability of funding/finance might perform and how a combination of different functions that a Local Fund might deliver will fill a defined market gap and/or provide economies of scale and/or scope.

The key overarching function for any organisation that exists to improve the flow of appropriate and affordable investment into community activities is to match supply and demand. The following generic functions are required to do this:

Table 5.1: Community funding/finance functions

Generic function
Awareness and promotion of funding/finance opportunities
Supporting/facilitating the development of investment propositions and capacity development on the demand side
Reducing transaction costs involved — on the demand and supply sides — in the process of raising and distributing funding/finance for community activities in Pembrokeshire
Tailoring the existing funding/finance offer to specific community organisation needs
Brokering in existing community funding/finance offers
Raising additional funds for community organisations in Pembrokeshire.

Depending on the choices made regarding the precise objectives for a Local Fund and associated with different types of funding/finance and different mechanisms with which to distribute the funds, a specific mix of functions will be required.

Each of these functions and activities requires a considerable level of expertise, organisational capacity and resources and can be either delivered by a Local Fund itself or sourced through partnership or contractual arrangements. There is a choice to be made between developing organisational capacity locally and acting as a clearing house for the respective functions to be delivered locally by working in partnership with existing capacity elsewhere.

This choice needs to be guided by the specific objectives for the Local Fund and an understanding of how the functions provided might need to evolve over time. Detailed development work for a Local Fund should include plotting a path towards delivering more or different functions as the community enterprise landscape in Pembrokeshire matures.

Some functions, particularly those related to raising funding/finance or even to brokering in existing funding/finance, will tend to be encapsulated in a specific type of organisation that is established in the marketplace³. Annex 2 outlines how each of these types of organisations relates to different demand- and supply-side rationales regarding the precise returns that are to be generated. In making choices regarding a Local Fund, two sides of the equation — the supply side of raising funding/finance and the demand side of community organisations using grants or loans — need to be linked through an appropriate organisational vehicle that is able to provide the relevant functions.

5.2 Business model considerations

Apart from considering the rationale for a Local Fund and identifying precise needs and opportunities, decisions in relation to the possibility of creating such a fund also need to take the business model, as well as the ways in which its core functions themselves will be funded and delivered, into account.

The business model for a Local Fund needs to spell out:

- The value proposition to the target market
- The routes to market
- How the activities are to be delivered (key processes, partners, etc.)
- How the activities are paid for (cost model and sources of income).

For a Local Fund to deliver on objectives, it must make a clear value proposition for donors/investors, strategic partners and users of the grants/investment finance on offer. Financial decisions are guided by trust and the belief that risks associated with making funding/finance available to community organisations are managed effectively. The value proposition for a fund of this nature therefore crucially depends on the expertise, track record and reputation that it is seen to have in the marketplace.

³ For example, CDFI for sourcing larger investment funds and the distribution of debt finance; Community Foundations for pooling charitable donations and philanthropic capital into endowment funds with returns to be distributed through grants, etc.

Revenue finance is required in order to deliver relevant activities and cover overheads. It must therefore either secure core or grant funding so as to deliver the functions required by different potential models or generate a sufficient profit to cover such costs. It is also possible to design a model that initially uses grant funding but works towards financial sustainability⁴.

Feedback from the specialist organisation interviews points to the importance of economies of scale for the delivery of community funding/finance services. Scale is required from a cost model perspective, as it makes it possible to spread fixed core costs across more transactions, thereby reducing the unit cost of each transaction on the demand and supply sides. Scale allows organisations to spread the risks associated with the provision of funding/finance across a wider portfolio of investments, too. Scale is also beneficial with regard to the level of returns that can be generated from endowment funds, since large organisations will typically pool funds and invest these for maximum gain.

Managing debt finance (e.g. a loan portfolio) presents the key challenge of ‘getting it back’. This is particularly relevant for a fund that seeks to deliver social benefit. ‘Easy deals’ with low risk tend to deliver limited social benefit and there is strong competition for such deals. At the same time, bad debt is the main cost incurred by debt finance providers. This needs to be costed into the business model.

Taken together, this suggests that larger, well-established organisations have a competitive advantage over smaller local organisations. It also suggests that considerable upfront investment would be required in order to develop the organisational capacity, acquire the skills and develop the kind of management and administrative processes that could instil confidence in the market.

Many community funding/finance providers subcontract out the delivery of any investments to intermediaries who specialise in sourcing, pooling and investing finance for community benefit. This could merely involve raising the funding/finance and managing investments, or it could be a way of raising match funding (e.g. Northern Rock Foundation provided ‘first loss’ risk capital). In order to assess the viability of any potential model for a Local Fund, the costs of the specific services to be outsourced need to be taken into account. In many cases, these will be charged in the form of a defined percentage of the funds involved (e.g. crowdfunder.co.uk charges 3% for any funds over £50,000 raised through the platform, plus a 1.67% payment provider fee and 25p on each pledge made).

Scale will often be associated with centralisation. Conversely, however, localised decision making makes it possible to draw on first-hand knowledge, which makes it easier to reach potential customers and strengthens investment decisions. Understanding the precise routes to market for a Local Fund and the relationships that it can offer to potential partners is therefore important.

⁴ See, for instance, https://www.ethex.org.uk/how-we-are-financed_52.htmlb.

The business model for a Local Fund would therefore ideally combine:

1. Access to the existing expertise, track record and reputation of established community funding/finance organisations
2. A local presence and reach into communities in Pembrokeshire
3. Access to economies of scale
4. Core funding to cover overheads
5. The right mix of skills to deliver the mix of activities required for different potential models.

5.3 Potential for strategic partnerships

Existing organisations in the community funding/finance space will offer some of the key building blocks of a successful business model as outlined above. Beyond an outsourcing model, it is worth considering a partnership-based approach. A number of potential partners have a strategic interest in extending their reach into different parts of Wales.

The Community Foundation in Wales, for instance, delivers several sub-funds, has established processes and relationships to secure dormant funds (e.g. from LAs) and attract donors with different preferences, professionally manages the profitable investment of any endowment funds, and guarantees appropriate due diligence in the management of grant schemes.

Similarly, on the social investment side, existing organisations have invested in instituting appropriate management structures and processes (e.g. due diligence, monitoring of loan portfolios, sourcing of funds, accessing policy guarantee schemes and match funding, etc.) as well as registration and compliance with relevant regulatory frameworks. At the same time, social investors depend on the identification of suitable investment propositions, which creates an incentive to work with organisations with a strong reach into communities.

In Wales there are specialist social investment and lending companies that could perform this role. WCVA run their own Social Investment Fund, which is capable of also offering fund management services to external bodies. Purple Shoots is starting to expand its model for microenterprise lending into other regions, and ROCBF is active in designing designated funds for partner organisations. As a fully independent CDFI, which is dedicated to generating and recycling capital within Wales, ROCBF has a wide range of full legal powers, as well as the experience of fund management on behalf of public and third sector bodies.

A partnership model may be a more successful approach where a holistic and integrated investment strategy is needed between a number of demand-side players and supply-side partners. Funders can be more attracted to a proposal wherein they can see that their contribution resides within a suite of other dedicated investment that contributes towards a larger but more sustainable and viable proposition.

Within this approach there is a crucial local coordination function in order to help match partners to specific elements of an investment opportunity to coincide with their individual types of finance, leverage potential, risk appetites, etc. A social lending company, for example, could be provided with sufficient reassurance to finance a specific element of a scheme if they knew that there were other players on the supply side who were also committed, or prepared to be, over the specified timeframe. The overall viability of a proposal can also then benefit from closer scrutiny via a broader level of due diligence.

Finding appropriate strategic partners may be more challenging if the model to be adopted for a potential new Local Fund envisages a departure from well-established funding/finance mechanisms. Innovative, new approaches are being pioneered particularly in the area of community investment, using alternative finance mechanisms to lever local investment into community enterprise activities that create benefits for local communities (e.g. venture philanthropy, community bonds). While this would therefore suggest that a Local Fund might need to break new ground in Wales, delivering such innovative alternative finance services is even riskier and requires even more expertise than developing and delivering well-established and more conventional community funding/finance solutions. In addition, regulatory frameworks in these areas are still evolving, which requires organisations in this space to have the necessary agility to respond to and continually realign their business model with a changing regulatory landscape. Such an approach would therefore equally call for strong strategic partnership working with existing organisations in this space.

Beyond the sourcing, profitable investment and distribution of any funds raised, the market analysis illustrated that any new funding/finance provision for community enterprise in Pembrokeshire would need to be integrated with demand stimulation and social enterprise capacity development and investment readiness support for community organisations. A number of organisations are already active in this space and are, in principle, accessible to community organisations in Pembrokeshire (SBW, SBGF, Social Farms & Gardens). External organisations with an offer, for instance, focusing on social enterprise incubation/accelerator support, which benefit from a localised approach, may also be interested in strengthening their routes to market and engaging in place-based partnerships⁵ (e.g. School of Social Entrepreneurs). Exploring the extent to which strategic objectives align and would create a sound basis for partnership arrangements to deliver a social enterprise ecosystem in Pembrokeshire would therefore be worthwhile.

5.4 Scope for local partnership working

As outlined elsewhere in this report, there are a range of established organisations that play a role in providing community funding/finance in Pembrokeshire. The objective for a Local Fund is to complement and enhance their work rather than create duplication or unhelpful competition. Ideally, a degree of partnership working with other organisations is therefore desirable.

⁵ See, for instance, Foundation East's partnership with Cambridge Judge Business School: <https://www.foundationeast.org/loans/social-purpose-loan.aspx>.

The results of the local stakeholder interviews suggest that there are varying degrees of interest in exploring potential partnership arrangements. Clearly, organisations involved in providing funding/finance in Pembrokeshire have different priorities, organisational cultures, and expectations. Developing a clear proposition for a Local Fund would be an initial key requirement to embark on a process of stakeholder engagement around potential partnership arrangements.

There appears to be, in principle, stakeholder support for a stronger strategic integration of different grant funds in particular. However, the interviews also revealed some hesitation with respect to giving up organisations' individual control over raising and deciding upon the use of funds and the associated image and relationships. Clearly articulating and beginning to demonstrate how a Local Fund can provide the missing link so as to harness existing grants and (social) investment finance in order to catalyse community enterprise success will be important. Recognising that, at the same time, elements of an enterprise ecosystem do already exist in the county (e.g. Pembrokeshire Lottery links with local businesses, accountants and banks), a loose alignment of objectives and activities may therefore be a precursor to more formal partnership arrangements.

The 'political' dynamics associated with different funding/finance sources (e.g. the role of elected representatives in maximising funding from Second Homes Tax for their communities; corporate interest in securing reputational gains from providing funding for community activities, etc.) mean that developing strong partnership arrangements will take time. At the same time, the momentum and scale that can potentially be created through formal partnership working are themselves aspects that have the potential to strengthen other organisations' interest in being part of a Local Fund.

The local stakeholder interviews point to strong support for Planed and PAVS themselves playing a role in delivering a Local Fund, suggesting that there would not be any value in creating a new organisation with 'the same people around the table'. However, interviewees also suggested that the success of a Local Fund with an explicit focus on community enterprise would require a step change in the commercial disciplines employed in working with community organisations and a stronger focus on the viability of business models and the long-term sustainability of social enterprise projects.

Depending on the precise combination of functions and mechanisms, potential partners that already provide certain functions in or for Pembrokeshire in a way that can be made accessible to a Local Fund will need to be identified. Therefore, for example, a deposit-taking function may not immediately appear to be of priority value. Yet an arrangement with a credit union, e.g. setting up regular payroll payments into dedicated share accounts for the purpose of building up a pledged equity stake in a community cooperative venture, may supplement the range of powers and functions available to a Local Fund. Such an arrangement might equally reduce the administrative burden in crediting shareholders with annual dividends, thus providing mutual benefits to both organisations.

Formal partnerships such as these can help to align functions within a local coalition of firms who are better positioned with specific powers and purposes.

5.5 Local decision making

The choice regarding the nature and mechanisms of local decision making needs to address a fundamental tension that is at the heart of leveraging funding/finance for community enterprise. Profitably leveraging funds and professionally managing grants or social investment relationships require very different disciplines from an approach that emphasises leadership and empowerment at the local level. The balance between expert decision making drawing on commercial disciplines and locally accountable democratic decision making will therefore need to be adapted to the nature of the funding/finance raised and the mechanisms that will be used to allocate and distribute these funds. This is where a clear understanding of the inherent logic of different mechanisms as discussed in section 4.2 above is of crucial relevance.

A further potential tension that arises relates to the proximity to public sector decision making. Many social enterprise propositions are closely linked to public sector decision making regarding the nature, scale and location of public service provision and other investments in community infrastructure. At the same time, community social enterprise depends precisely on engendering a sense of community responsibility and creating entrepreneurial momentum and agility in order to take advantage of opportunities. The precise role and proposition of a Local Fund in terms of the thematic areas and type of organisation targeted will therefore need to direct the design of decision-making mechanisms.

Where, for instance, a choice is made to launch a Pembrokeshire fund in partnership with Community Foundation in Wales, a panel of local representatives can guide decision making by drawing on due diligence and grant administration services provided by Community Foundation in Wales on the basis of agreed Terms of Reference. Where a venture philanthropy approach is chosen, the donors/investors would expect to play a role in identifying and guiding the most promising projects. Where a purer social investment approach is prioritised, investment expertise would need to play a key role in guiding an overarching portfolio management approach. Where a strong link to public sector activities and investments is necessary, a local committee mechanism with public sector participation would be required. Finally, if the core aim is to nurture a sense of community responsibility and stimulate entrepreneurial activity in response to specific community needs, an open cooperative community decision-making process needs to be adopted and associated local politics navigated.

Whatever the choice regarding the decision-making mechanism, this will be a key factor in identifying the most appropriate legal structure and type of firm, too.

5.6 Specific tools

A number of tax incentives exist in order to stimulate and encourage additional social investment and charitable giving. These include Community Investment Tax Relief (CITR), the Enterprise Finance Guarantee (EFG), Social Investment Tax Relief (SITR), and tax reliefs on donations, such as Gift Aid, Payroll Giving schemes, and legacy giving.

The specialist organisation interviews undertaken for this study highlight that while these incentives are an important lever in order to increase the amount of funding/finance available, they are associated with detailed technical requirements that need to be met. In order to take advantage of CITR, for instance, any funds need to be invested within 18 months. Otherwise investors will not be able to benefit from tax reliefs.

A Local Fund can potentially make use of many of these tools. However, orchestrating different tools and mechanisms, putting in place the necessary arrangements and relationships and hardwiring them into the business model requires considerable expertise and organisational capacity. This points to a choice of either initially prioritising one particular approach to leveraging such incentives (e.g. nurturing relationships with solicitors to focus on legacy giving) or working with partner organisations that bring the respective expertise and capacity to the table so as to combine the use of a range of different mechanisms and incentives.

Alongside tax incentives, digital tools are the second major group of mechanisms and services that can help to strengthen the effectiveness and efficiency of a Local Fund. There are many examples of digital platforms that offer 'off-the-shelf' services that a Local Fund could buy into in order to efficiently provide certain functions (e.g. Localgiving to facilitate specific fundraising campaigns; crowdfunder.co.uk to enable crowdfunding; the Good Exchange to reduce the burden of grant applications on community organisations).

Ensuring that any funding/finance raised through digital platforms is matched by the necessary implementation capacity for the associated community enterprise activities is a key requirement so as to make effective use of digital tools in the context of community finance.

With increasing interest in place-based approaches to philanthropy and social investment, there is a trend for such platforms to explore and experiment with local partnership arrangements to provide more effective routes to market and greater coherence. The Good Exchange, for instance, is working towards local pilot projects through which to test a place-based approach to integrating different grant funding streams (e.g. working with Oxfordshire Community Foundation⁶). Similarly, crowdfunder.co.uk has explored the possibility of creating a dedicated Welsh startup site.

Some digital platforms are themselves community finance institutions (e.g. ethex.org.uk, which focuses on community shares), while others are pure marketing platforms (e.g. justgiving.com). Some undertake multiple functions (e.g. crowdfunder.co.uk) and some are pure specialists.

⁶ <https://oxfordshire.org/about-us/partnership-working/the-good-exchange/>

A useful categorisation of different types of digital platforms might distinguish:

Type	Examples
Donation Sites	<ul style="list-style-type: none"> • https://home.justgiving.com/?take=10 • https://www.gofundme.com
Reward Sites	<ul style="list-style-type: none"> • https://www.kickstarter.com • https://entrepreneur.indiegogo.com/how-it-works/
Community Shares	<ul style="list-style-type: none"> • https://www.ethex.org.uk • http://communitysharesscotland.org.uk/crowdfunding-platforms
Lending	<ul style="list-style-type: none"> • https://www.fundingcircle.com/uk/ • https://www.thehousecrowd.com/
Equity	<ul style="list-style-type: none"> • https://www.crowdcube.com/ • https://www.seedrs.com

The online alternative finance market is expected to continue to experience significant growth over the coming years. However, digital platform business models and the associated regulatory frameworks are still evolving⁷. Any dependence on the use of digital platforms to support community funding/finance therefore brings a risk of the overarching business model for a Local Fund being vulnerable. The track record and reputation of any provider of digital funding/finance platforms (especially with regard to their credit scoring, underwriting and due diligence capabilities, particularly for crowdfunding models) should be key criteria in choosing such products.

5.7 Type of firm

The most appropriate type of firm and legal structure needs to be determined on the basis of the precise choices regarding the objectives and functions that a Local Fund is designed to achieve/deliver and the corresponding mechanisms and financial products that it will ultimately use. It is important to understand the detailed organisational requirements in terms of legal structure and the relevant governance and regulatory frameworks in order to engage in different ways of raising and distributing community funding/finance. In that sense the old adage could be paraphrased here to provide sound guidance — ‘firm follows function’.

⁷ Nesta (2016), Pushing the boundaries, The 2015 UK Alternative Finance Industry Report

Table 5.2: Organisational vehicles’ scope to engage in community funding/finance

Type of Firm		Is able to Accept					Is able to Provide			
		Donations	Deposits	Loans	Equity	Assets	Grants	Loans	Guarantees	Regulators
Mutuals	Community Credit Union	1	1			3		1	3	FCA
	Trade CU	2	1			3		1	3	FCA
	Benevolence Funds	1		3		2	1		1	
	Community Benefit Soc.	1		2	1	1	1	2	1	FCA
	Cooperative Societies	1		2	1	1	2	1	1	FCA
	Friendly Societies									FCA
	Building Societies		1	1	1	1		1	2	BoE, PRA,FCA
	Cooperative Banks		1	1	1	1		1	1	BoE, PRA,FCA
CIC		1		2	2	1	2	2	2	ORCIC
Trust		1		2		1	2	2		varies
Charity	(CLG)	1		2	2	1	1	2	2	Charity Commission
CDFI	CLG	1		2	2	2	3	1	2	FCA
	CLS	2		2	1	3	3	1	1	

1 = core function; 2 = can do; 3 = problematic

Source: own analysis

The table illustrates that different instruments are tied to a particular type of firm and the associated regulatory framework. There is some scope to combine different mechanisms in one organisation. In practice, however, this introduces considerable complexity, as different organisational vehicles are aligned with the specific mechanisms of raising and allocating/distributing funding/finance that they are primarily designed to deliver in terms of their governance, reporting requirements, legal status, and wider regulatory framework.

The choice of organisational vehicle therefore needs to be guided by a clear identification of the primary objective and function(s) of a Local Fund and aligned with the corresponding choice regarding the most appropriate mechanisms to raise and allocate/distribute funding/finance. A combination of mechanisms that are associated with charitable giving and those that are associated with investment rationales is rare in practice.

The choice of the type of firm also needs to take into account market expectations. Some client markets will be more comfortable or familiar with certain legal forms. For example, any donation function may ultimately fare better within a charity envelope. The ambition to perform multiple functions may demand a Local Fund to face different market directions and demand conflicting formats. Alongside this, different functional activities and markets will demand varying levels of protection to both clients and the governing body itself, so legal advice will be needed.

A further consideration is that whilst a certain combination of functions may be legally permissible, it may be impractical to deliver them, in that they may create internal conflicts or complexity. Some of the new Community Dividend Funds established by the wind farm companies, for instance, have come up against this problem. Whilst they are primarily established to redistribute funds through grant giving, some also wish to include an element of social lending in order to encourage local entrepreneurialism within third sector organisations. However, there are contradictions inherent in a process in which the same body attempts to appraise whether a proposition is more appropriate for grant than for loan finance. Where the latter is offered to an applicant, this also inevitably generates dissatisfaction.

Table 5.2 above identifies some of the common legal structures that could be adopted to create a Local Fund. A simple 'benevolence fund' may suffice to begin with in order to attract donations with minimal legal and regulatory demands, allowing the fund to apply for and adopt more powers as it grows. Inevitably, however, there is an inverse ratio broadly at work between the desired functional sophistication required and the ease and costs of operation. A CDFI fund may, for example, take the simple form of a company limited by guarantee. If, however, the firm wishes to engage in consumer products either by attracting investment finance from the public or by providing lending to new startup enterprises, then it will probably need to register its activities and be regulated by the FCA, bringing in a significant level of compliance requirements.

Even where a specific financial activity does not demand a permission at present, it may require so as the regulatory regime extends its supervisory reach. Proposals have recently been put forward, for example, to regulate investment to small enterprises in order to provide similar levels of protection as enjoyed by consumers. It could be expected that as the regulators embed existing providers and products, more financial activities will fall within their guidance and compliance frameworks.

Whilst any overburden of regulatory oversight might be avoided by restricting activity, e.g. towards only individuals deemed to be 'sophisticated investors', this may severely restrict the market and may make any fund less attractive. Even sophisticated investors take comfort in a firm being regulated and fully compliant. Unregulated firms will also be unable to offer some of the attractive incentives towards which many investors gravitate, such as CITR, EIS, and other tax reliefs, or protection from underwriting such as EFG, etc.

A Community Benefit Society can be comparatively simple to establish and operate if the market gap identified suggests that the focus for local attention should be more towards equity investment — on either the demand or the supply side. Funding raised in a Local Fund set up as a Community Benefit Society, for example, could be reinvested as an equity stake in another cooperative to help incubate, grow or capitalise this company. There is already good knowledge of this legal structure both within the region and in sector support organisations in Wales⁸.

⁸ Gower Power, for example, has adopted the usual preference for a Community Benefit Society in order to raise equity for a community-owned solar scheme. In addition, it has also introduced other companies into the group, including a CIC and private limited company, which has recently been spun off as an SPV for a new solar storage project.

What will be needed by any Local Fund in Pembrokeshire, therefore, is clear mapping of the functions that it will be wishing to undertake and within a development timeframe, so as to then identify which legal powers and permissions it will ultimately need to acquire and at what stages. This all needs to be planned within conversations between other delivery agents in order to further refine alternative partnerships through which any functions could more effectively be outsourced.

Alongside this, further considerations need to place these choices within a fluid and quickly changing economic and market environment. Any new organisational vehicle will take time to be established, develop and evolve. The trick is to future-proof any chosen entity. One factor that is unknown at this stage, however, and therefore difficult to plan for, is how regulation may be affected in a post-Brexit environment.

5.8 Integrating different models and mechanisms

Combining different models, mechanisms and partnership arrangements requires careful calibration but has the potential to create a highly effective and mutually beneficial offer. One example that can help to illustrate the considerations involved is the use of a combination of peer-to-peer models and mutual guarantee mechanisms.

Some of the Welsh Government programme for Home Improvement Loans, for instance, is being delivered by local authorities through local partnerships between a CDFI (in this case, Robert Owen Community Banking Fund) and local credit unions which are contracted to undertake assessments and recommendations on applicants. Similarly, another CDFI, the Fredericks Foundation⁹, in England successfully incubate, nurture and finance startup enterprises through regional networks of local investors/decision makers.

A further example of how this has been implemented at a sectoral level is ROCBF's high-risk mezzanine finance offer to unlock potential assets for the community energy sector in Wales. This has been delivered through peer stewardship and decision making with respect to a dedicated £1m underwriting fund provided by the Big Lottery Fund. Peer assessment of proposals has ensured that investors, particularly local equity investors, are presented with comparatively safe offers, thereby increasing the levels of local and external investment in community-owned schemes. This model ensures that peers are incentivised to find and navigate the critical path between protecting a collectively owned but finite fund and creating another new energy and income generator for their sector.

The success of these approaches relies on the fact that the best market intelligence, which is essential in risk assessment, resides at the local level. The commercial worth of this is something that geographical and sectoral communities of interest often fail to fully recognise and, thus, exploit to their advantage. They alone often enjoy superior market knowledge, which makes them valuable to external investors, particularly to enterprise lenders. A Local Fund could provide this function for a range of finance partners, resulting in a win-win scenario.

⁹ <http://www.fredericksfoundation.org/who-we-are/>

This could be significantly augmented were a Local Fund to also provide a level of underwriting to external investment, much like a guarantee fund¹⁰. On its own, local recommendations for a particular investment approval can be of only limited value to investors, where they still end up taking full risk on a proposition. Where a local underwriting fund is brought into the equation, it can offer a significant, additional endorsement for any recommendation for investment. This rebalances the asymmetry of risk where a Local Fund is effectively 'putting its money where its mouth is'. Furthermore, it can provide comfort to marginal propositions, increasing an outside finance company's appetite for advancing investment in the region.

This approach introduces a different set of dynamics and relationships between the supply and demand sides, with both parties sharing a common interest in identifying and mitigating risks. Trust is built over time along with ambition and confidence in investment intervention in the local market and social economy.

This model also reduces the level of funding required in order to capitalise any Local Fund, as it is creating significant leverage on its own assets through attracting external investment. Moreover, the local decision-making role effectively brings in a significant controlling function by signing off or not on its underwriting facility. It does, however, create a requirement to continually attract first-loss capital to the fund in order for it to grow and replace any underwriting losses.

5.9 Conclusion

Specific, detailed choices regarding the nature and configuration of a Local Fund need to be made on the basis of an initial decision regarding the precise function and objectives for such a fund. The precise objectives need to determine the nature of the offer that a Local Fund should make and this in turn needs to drive activities, resources, powers, decision-making mechanisms, partnership arrangements, etc.

Key to configuring a potential Local Fund for Pembrokeshire will be to balance resource and capacity needs now with a process of building relationships and keeping pace with an evolving community enterprise landscape in Pembrokeshire. The flexibility to add further functions as organisations in Pembrokeshire mature will need to be an important consideration.

¹⁰ Mutual Guarantee Societies, whilst common and significant players in other European states, are not presently authorised fully to operate in the UK. Nevertheless, this model can point to another potential role for any Pembrokeshire fund and one wherein local decision making is brought in as a critical component for the successful leverage of external investment.

6 Potential models

This section introduces a series of options for the shape that a Local Fund in Pembrokeshire might take. In line with the analysis presented in this report thus far, the options are pitched at the level of the key functions and the primary role that the fund might play, rather than homing in on the technical details of its form and delivery.

The results of the market analysis and consideration of the nature of choices that need to be made suggest that there are slightly different emphases and starting points for the establishment of a Local Fund. The six options outlined below are therefore not necessarily mutually exclusive. Instead, they are different configurations of similar or related activities that translate into different starting points and trajectories for the creation and development of a fund that plays a role in stimulating and enabling the effective use of community funding/finance to strengthen community enterprise in Pembrokeshire.

The specification for the study envisages a hybrid model contributing to the availability of a mixed offer of non-repayable finance (grants) and repayable finance (social investment). However, the research undertaken suggests that organisations in the community funding/finance space tend to deliver either grant funding or social investment, but rarely both.

With the above two points in mind, two fundamental choices need to be made upfront regarding the most appropriate functions and role of a Local Fund, namely deciding between:

1. a focus on grants vs. a focus on social investment finance (loans, equity, guarantees); and
2. a focus on developing organisational capacity locally vs. maximising the volume of community investment finance available locally, drawing on existing community funding/finance providers.

Subdivided into models that focus on grants and those that focus on investment approaches, a number of options and potential models for a Local Fund are presented below. Each option takes one particular aspect of the gap/opportunity identified through the market analysis as its starting point.

6.1 Focus on grants

Option 1: Flexible local grant fund	
Rationale	<p>The evidence suggests that there is an opportunity to unlock/capture additional charitable giving (particularly large donations and legacies).</p> <p>The market analysis also suggests that there is an opportunity to develop a grant scheme that focuses on ‘the missing middle’, flexible grants to support the development of community organisations’ income-generating activities and social enterprise business models¹¹. Ideally, this would go hand in hand with working towards greater strategic coherence for the wider grant funding environment in Pembrokeshire.</p>
Key objective(s)	<ul style="list-style-type: none"> • To provide flexible community enterprise grant funding (e.g. feasibility grants, revenue grants, startup grants, etc.) • To increase the level of charitable giving for Pembrokeshire • To stimulate the uptake of and develop the capacity for social investment in community organisations in Pembrokeshire • To create momentum in key thematic areas
Functions to be delivered	<ul style="list-style-type: none"> • Developing and implementing place-based fundraising strategy/campaign targeting major donors/legacies • Providing strategic focus for flexible grant scheme • Supporting community organisations in developing funding/investment propositions • Working towards overarching message regarding social investment pipeline in Pembrokeshire and function of different grants/investment offers within that • Convening partners to work towards integrating existing grant schemes (e.g. simplifying/integrating application process, identifying relevant tools/approaches/partners such as the Good Exchange place-based pilot¹²) • Awareness raising/signposting to existing follow-on social investment products
Business model	<ul style="list-style-type: none"> • Partnership-based/subcontracted fundraising and fund management operation (e.g. Community Foundation in Wales) • Combination of flow-through and endowment funds • Grant administration either subcontracted (PAVS, Planed, Community Foundation in Wales) or delivered by SPV (see below) • %age of endowment fund returns to pay for fund management

¹¹ Examples of such grant funds include Cyfenter as delivered by Menter Môn (<http://www.cyfenter.com/images/stories/Docs/Cyfenter%20Evaluation%20Summary%202015.pdf>).

¹² <https://oxfordshire.org/about-us/partnership-working/the-good-exchange/>

Option 1: Flexible local grant fund	
Organisational vehicle	<ul style="list-style-type: none"> Local partners working with established fundraising organisation through targeted fund for Pembrokeshire (e.g. Community Foundation in Wales) Potential role for SPV (e.g. delivering strategic development and/or grant administration) that could be set up with a view to gradually building up organisational capacity to deliver an integrated offer for social enterprise development in Pembrokeshire
Key requirements	<ul style="list-style-type: none"> Need to secure core funding Detailed intelligence of and access to embryonic social/community enterprise activities
Pros	<ul style="list-style-type: none"> Building on PAVS's and Planed's existing reach into communities/thematic networks Creating link into existing social investment landscape Scope to be responsive to opportunities as they emerge Tried and tested model — few unknown risks Scope to draw on existing fundraising track record and expertise in delivery partners (e.g. Community Foundation in Wales) Scope to gradually deliver strategic integration of grant funding landscape in Pembrokeshire Potential vehicle to distribute additional community funds becoming available (e.g. returns becoming available through Community Energy Pembrokeshire projects; potential legacy to be created from fossil-fuel-related activities in Pembrokeshire) Scope to gradually move into using different/innovative fundraising tools (e.g. payroll giving, voluntary visitor payback schemes)
Cons	<ul style="list-style-type: none"> Potential risk of further adding to complexity of grant environment in Pembrokeshire Availability of flexible grants potentially distorting social investment market by removing incentive to consider loan or equity finance Flow-through fund not contributing to legacy fund/endowment fund not locally invested Need to invest in understanding of and relationships with downstream social investment providers

Option 2: Pembrokeshire donor circle	
Rationale	<p>There is evidence to suggest that, increasingly, 'venture philanthropy' offers a way to connect donors with community organisations that deliver social benefits. Brokering and facilitating relationships between donors and community organisations offers a way to contribute to the key objective for a Local Fund to stimulate and nurture capacity for community enterprise activities.</p>
Key objective(s)	<ul style="list-style-type: none"> To increase the level of charitable giving for Pembrokeshire To actively engage donors in supporting community enterprise development To nurture a culture of venture philanthropy in Pembrokeshire

Option 2: Pembrokeshire donor circle	
Functions to be delivered	<ul style="list-style-type: none"> • Developing and implementing a place-based fundraising strategy/campaign targeting diversity of donors (e.g. identification and recruitment of major and/or regular donors) • Facilitation of donor networking and relationships • Facilitation of donor role in decision making (e.g. Dragons' Den setting)
Business model	<ul style="list-style-type: none"> • Partnership-based/subcontracted fundraising operation (e.g. Community Foundation in Wales) • Flow-through fund or combination of flow-through and endowment funds • Grant administration either subcontracted (PAVS, Planed, Community Foundation in Wales) or delivered by SPV
Organisational vehicle	<ul style="list-style-type: none"> • Local partners working with established fundraising organisation through targeted fund for Pembrokeshire (e.g. Community Foundation in Wales) • Potential role for SPV (e.g. managing fundraising campaign, facilitating donor relationships/networking, grant administration) that could be set up with a view to embedding venture philanthropy in Pembrokeshire
Key requirements	<ul style="list-style-type: none"> • Recruitment of suitable donors • Ability to facilitate long-term relationships between donors and community organisations
Pros	<ul style="list-style-type: none"> • More agile approach than strategic grant scheme, with focus on relationship building • Strong focus on local relationships and decision making • Scope for 'mixed economy' of supporting pure social benefit with donor expertise (i.e. where no social enterprise business model is possible) and creating bridging mechanism between donors with business expertise and community organisations that are on the cusp of social enterprise • Scope to use activity as seed corn for venture philanthropy approaches using social investment tools
Cons	<ul style="list-style-type: none"> • Limited scope to adopt strategic approach • Limited link into wider grant funding landscape • Potentially adding to complexity of existing grant funding landscape • Delivery is resource-intensive and has potential to fragment overall impact • Flow-through fund not contributing to legacy fund/endowment fund not locally invested • Involving donors in making decisions regarding the use of donations is a potential constraint on the role of other stakeholders in democratic local decision making

Option 3: Community enterprise convenor	
Rationale	<p>A range of different offers for social enterprise development and investment are available in principle to community organisations in Pembrokeshire. However, many of the organisations delivering these have no effective route to market in Pembrokeshire. At the same time, community organisations in Pembrokeshire lack awareness of and/or the capacity to engage with the support on offer.</p> <p>A Local Fund could play a role in further developing a social enterprise ecosystem in the county that makes complete packages of support accessible to community organisations.</p>
Key objective(s)	<ul style="list-style-type: none"> • To catalyse local/thematic community enterprise dynamic • To support community organisations in getting investment-ready and using existing social investment sources
Functions to be delivered	<ul style="list-style-type: none"> • Flexible local grant fund (see above) as foundation for other activities • Design and implementation of overarching approach to integrated social enterprise offer working in partnership with existing offer (e.g. Enterprising Solutions) and brokering in the offers of suitable partner organisations (e.g. Social Business Wales, UnLtd., social enterprise accelerator/incubation support, etc.) • Facilitation of local social enterprise networks • Support for development of social investment propositions
Business model	<ul style="list-style-type: none"> • Flexible local grant fund model as above <p>Plus</p> <ul style="list-style-type: none"> • Core funded 'enterprise hub' function • Partnership and/or contractual arrangements for provision of mutual support functions between partner organisations
Organisational vehicle	<ul style="list-style-type: none"> • SPV or partnership model between existing local organisations
Key requirements	<ul style="list-style-type: none"> • Confirmation that critical mass of social enterprises that are ready 'in principle' to take the step towards social investment exists (i.e. with business models that could support social investment) • Core funding and/or alignment with existing partners' organisational remit
Pros	<ul style="list-style-type: none"> • Opportunity to create complete social enterprise pipeline • Holistic approach with potential to maximise social impact • Capitalising on existing PAVS and Planed relationships and networks
Cons	<ul style="list-style-type: none"> • Localised delivery infrastructure (village/town) required to reach community enterprises and generate social enterprise ecosystem • Integration and alignment of multiple partners is resource-intensive and curtails flexibility/agility • Need for strong organisational capacity, but limited scope to generate income

6.2 Focus on investment

Option 4: Targeted gap funder adopting a brokerage role	
Rationale	<p>There are a number of specific potential social enterprise opportunities that emerge from the research undertaken for this study to which the existing funding and finance offer may not adequately cater. Examples include Pembrokeshire County Council reviewing its asset transfer policies, specifically in relation to services (e.g. libraries), an interest in relocalising services, or the fledgling community hubs (supported by Planed under LEADER) that could potentially use community shares to build up an asset base.</p> <p>Similarly, a number of thematic areas that hold opportunities for social enterprise in Pembrokeshire were identified by stakeholders, e.g. different models for the provision of care (which are being considered by the PBS and Health Authority), short supply chains (which could not be supported through LEADER because of state aid issues but could use social investment finance) or agri-tourism/environment.</p> <p>Working with existing community finance providers, a Local Fund could play a role as a gap funder for specific identified gaps/opportunities.</p>
Key objective(s)	<ul style="list-style-type: none"> • To identify specific untapped investment propositions • To complement and catalyse the existing community investment offer • To broker in existing community finance providers' offer
Functions to be delivered	<ul style="list-style-type: none"> • Identification of specific investment gap(s) (e.g. backstop facility to community share issuances¹³; equity investment in community food enterprises, etc.) • Identification of existing community finance/social investment funds/community finance providers with an interest in investing in Pembrokeshire • Development of a bespoke Local Fund • Generating match funding through leveraging in local investment (e.g. crowdfunding; philanthropic giving/social angel investors; legacies; existing endowments, e.g. Pembrokeshire Lottery or corporate trusts) • Capacity building and investment readiness support for community enterprises
Business model	<ul style="list-style-type: none"> • Outsourcing of financial expertise/fund management and processing of local investment generated • In-kind contributions from local partner organisations and/or core/startup grant funding to support brokerage and marketing activities

¹³ <https://www.bigsocietycapital.com/what-we-do/investor/investments/community-share-underwriting-fund>

Option 4: Targeted gap funder adopting a brokerage role	
Organisational vehicle	<ul style="list-style-type: none"> • Specialist investment fund delivered in partnership with (i.e. hosted by) existing social investment/community finance provider • Brokerage/marketing hosted by local partner organisations (e.g. Planed, PAVS) <p>or</p> <ul style="list-style-type: none"> • Simple subsidiary SPV to enter into contractual arrangements with finance providers and with flexibility to acquire additional powers at a later date
Key requirements	<ul style="list-style-type: none"> • Development of strong, specific thematic investment propositions • Partnering with strong existing fund management and investment expertise • Alignment with existing partner organisation remits
Pros	<ul style="list-style-type: none"> • Targeted approach that avoids potential for additional funding/finance to distort the market • Opportunity to create demonstration projects to illustrate potential of use of investment finance by community enterprises • Strong proposition for existing community finance providers • Potential to use funding raised as seed corn for legacy fund
Cons	<ul style="list-style-type: none"> • Benefits limited to highly specific target groups • Limited income generation opportunities to cover cost of delivery • Complexity of combining fundraising operation with management of social investment partnership(s) • Limited opportunity to develop strong local community investment expertise • Decision making regarding investments would need to be guided by strength of propositions rather than local preferences

Option 5: Community equity asset developer	
Rationale	<p>The desire to create a virtuous circle of leveraging local investment to generate income that can be reinvested in social benefits is a key objective for a Local Fund in Pembrokeshire. Acquiring an asset portfolio is one way in which to do this by anchoring any returns from asset ownership in communities.</p> <p>A demonstration project of how communities can achieve this exists in the 4CG¹⁴ model. However, stimulating further community ventures of this kind requires a catalyst. Being able to respond to opportunities as and when assets become available requires access to a ready capital fund and community organisations with the capacity to take on an asset (i.e. constituted and with the ability to quickly develop business case/business plan).</p> <p>A community equity company could make the necessary upfront investment available and provide the asset development and management expertise that is required to act quickly where a viable proposition arises.</p>
Key objective(s)	<ul style="list-style-type: none"> • To secure community ownership of an asset(s) that can generate income for community reinvestment • To nurture confidence in the community enterprise ability to profitably manage community assets
Functions to be delivered	<ul style="list-style-type: none"> • Raising of appropriate equity investment • Management of equity/loan funding of individual community assets • Provision of asset development expertise
Business model	<ul style="list-style-type: none"> • Equity fund could be outsourced to existing community finance provider • Churn through community share issues for assets acquired, combined with retention of proportion of equity share in assets acquired by secondary cooperatives
Organisational vehicle	<ul style="list-style-type: none"> • Various options; BenCom capitalised through shareholders/fundraising activity reinvesting equity in secondary cooperatives and/or debt in others an obvious model
Key requirements	<ul style="list-style-type: none"> • Viable assets becoming available at realistic price • Community interest and willingness to take on physical assets

¹⁴ <https://www.4cg.cymru/>

Option 5: Community equity asset developer	
Pros	<ul style="list-style-type: none"> • Creating capacity to incubate local cooperatives • Delivering on combination of local investment and creation of legacy fund/financial returns • Capturing otherwise potentially ‘dead assets’ in community control and stimulating local enterprise activity • Community asset ownership can catalyse collective responsibility and community resilience • Central cooperative functions can provide coherence and capacity for individual community assets
Cons	<ul style="list-style-type: none"> • High-yielding return required to justify locking up patient capital long-term within physical assets • ‘Assets’ that become available on the market often become liabilities • Generating rental returns from physical assets is not core to social enterprise business models

Option 6: Community investment facilitator nurturing CDFI capacity	
Rationale	<p>The desire to create a virtuous circle of leveraging local investment into enterprise creation and development is a key objective for a Local Fund in Pembrokeshire. Linking local investors with startup or growing social enterprises has the potential to create vibrant local enterprise networks that can flexibly respond to specific local needs, generate a sense of collective community responsibility, and create lasting social benefit.</p> <p>Building up local CDFI capacity over time will create the flexibility for a Local Fund to expand its offer and powers to anchor local investment decisions in Pembrokeshire.</p>
Key objective(s)	<ul style="list-style-type: none"> • To create a mechanism for targeted local investment • To incubate community development finance capacity/ institution in and for Pembrokeshire
Functions to be delivered	<ul style="list-style-type: none"> • Incubation of new CDFI (e.g. hosted by Planed or PAVS) • Raising of series of community bonds¹⁵ • Empowering/facilitating local community investment decision making • Working with local organisations to develop and issue local bond offers and manage community loan funds
Business model	<ul style="list-style-type: none"> • Grant/in-kind funding for incubation phase • Community bonds raised in communities and held by Local Fund as county-level CDFI • Partnership working with local organisations as community investment facilitators
Organisational vehicle	<ul style="list-style-type: none"> • Incorporated SPV with scope to deliver CDFI activities (e.g. cooperative, company limited by guarantee, charity)

¹⁵ See, for instance, Scottish Communities Finance (SCF) Ltd. (<https://scotcomfinance.scot/about-us/>).

Option 6: Community investment facilitator nurturing CDFI capacity	
Key requirements	<ul style="list-style-type: none"> • Viable social enterprise propositions locally • Buy-in from local community organisations with capacity to market bonds and facilitate investment decision making
Pros	<ul style="list-style-type: none"> • Encourages communities to pool their financial resources for the mutual benefit of their communities • Clear mechanism to create effective reach into and investment decision-making role for communities themselves — geographical or of interest • Unlocks small-scale investment and helps to circulate funds locally • Community bonds slightly less regulated than other debt finance instruments¹⁶ • Can act as testbed and capacity development for larger-scale CDFI activities on demand and supply sides • Does not create direct competition for existing community investment offer and for charitable giving • Offers mechanism to create clear match between investor expectations regarding balance between financial and social return on investment and likely profitability of investment propositions
Cons	<ul style="list-style-type: none"> • Incubation role itself requires considerable financial expertise and resourcing • Regulatory requirements on money laundering, investor protections, advertising/promotions, etc., plus ongoing credit control and administration constraints • Depends on coherent local networks of social entrepreneurs/community leaders championing community investment • Requirement to at least repay loan remains potential obstacle for social enterprise use of debt finance • Potential competition to existing CDFIs with associated difficulty of gaining support or subcontracting initial financial expertise for startup/incubation phase • Limited opportunity to tap into larger donations/legacies

¹⁶ Registered with, but not authorised by, the Financial Conduct Authority; community bond offer is not covered by the Financial Services Compensation Scheme

7 Conclusions and next steps

7.1 Conclusions

Clarity regarding the precise mechanisms and functions for a Local Fund in Pembrokeshire and how they relate to an identified market gap in terms of community funding/finance in the county is important in considering the potential for the creation of such a fund.

The market analysis undertaken for this study suggests that — on the supply side — there is an opportunity to raise additional charitable donations for causes in Pembrokeshire. At the same time, however, the research also highlights that there is a lack of demand-side capacity — community organisations in Pembrokeshire — to make effective use of additional funding/finance. Existing social investment offers are not currently taken up by community organisations in Pembrokeshire and grants are not used effectively so as to nurture social enterprise capacity.

Adding a further grant scheme to the already complex grant funding landscape has the potential to distort the market with detrimental, long-term effects on the availability and appropriate mix of funding/finance options available to organisations in Pembrokeshire.

The specialist organisation interviews further identified that a clear proposition as to how any funding/finance raised will be used to generate social benefits in the county is a prerequisite for raising charitable funding and/or attracting social investment finance. Stimulating demand by building community enterprise capacity and identifying clear, specific strategic objectives for the role of community enterprise in enhancing economic development is therefore required as a first step in attracting and making effective use of additional community funding/finance.

A key role for a potential Local Fund for Pembrokeshire would therefore consist in stimulating demand and supporting the identification of market opportunities and the development of viable business models with a view to getting community organisations in Pembrokeshire investment-ready.

This role can be delivered through different combinations of functions that focus on a Local Fund as a broker with a remit of strengthening the social enterprise fabric in Pembrokeshire and making a combination of social enterprise support and funding/finance accessible for community organisations in the county.

A key first step is to develop a vision for community enterprise and define the precise strategic objectives for a Pembrokeshire Local Fund. Without this, there is a risk of effort and resources becoming focused on creating, managing, maintaining and financing an organisational vehicle without it delivering the social benefits that it is expected to create.

7.2 Next steps

The following sections identify key next steps in making choices regarding the most appropriate option for a Local Fund and preparing for implementation of the chosen model.

1. Confirming the precise market gap/opportunity

The research undertaken for this study suggests that there is currently no clear gap in the actual provision of community finance in the county of Pembrokeshire. A gap exists much rather in terms of translating latent demand into actual demand by stimulating social enterprise activity, building capacity and brokering/enabling access to finance.

The report has highlighted a number of thematic areas and market developments that can potentially benefit from the additional provision of grant funding and/or social investment, provided that the corresponding capacity-building and investment readiness support is made available.

The options presented in section 5 take this finding as their starting point and offer different routes into strengthening the community enterprise fabric in Pembrokeshire and delivering the corresponding funding/finance functions.

The next step for the LAG partners and other local stakeholder organisations is to decide on a clear set of strategic priorities for community enterprise in Pembrokeshire and make the decision of whether to progress with a Local Fund and which model is most suitable on that basis.

2. Designing the precise model for the Local Fund

Having decided which functions and generic model will best deliver on the precise strategic objectives identified, the key dimensions of choice and precise resource and capacity requirements need to be considered. This will guide the process of designing the most appropriate configuration of a new Local Fund in terms of the precise functions and mechanisms.

Identifying the specific functions to be delivered will inform choices regarding the business model, the precise configuration in terms of the specific tools to be used, and who delivers what (i.e. partnership working vs. development of independent organisational capacity), as well as the most appropriate decision-making mechanisms and, finally, the most appropriate type of firm.

3. Feasibility assessment and market testing

Once a detailed model for the Local Fund has been developed, a feasibility assessment and market testing with key players on the demand and supply sides will need to be undertaken in order to confirm/refine assumptions.

Detailed consultations with potential local and strategic partners will need to form part of this stage. The business and cost model will also need to be further refined and tested at this stage, as well as confirming the availability of core funding or other kinds of funding to pump-prime the setup of a Local Fund.

4. Implementation

Following the feasibility stage, a final decision regarding the creation of a Local Fund will need to be made. If the fund is given the go-ahead, the refined business and operating model will need to be used to develop a business plan. As part of the business planning process, precise implementation steps and appropriate contractual arrangements will need to be identified and put in place.

Annex 1 – Detailed market analysis

Demand side – need for community funding/finance in Pembrokeshire

In order to assess latent and expressed demand for additional community funding/finance in Pembrokeshire, primary research was undertaken with a small sample of community organisations themselves, key local stakeholders with an insight into the specific social benefits that could potentially be translated into a proposition to donors/investors, and specialist organisations with an understanding of the wider community funding/finance landscape. Secondary research on existing analyses of the community funding/finance landscape was also conducted in order to triangulate the findings.

Current use of different funding/finance sources

Trends in third sector income

The latest NCVO/ WCVA figures (for 2015/16) estimate that third sector organisations across the UK raised £47.8bn in income¹⁷. Individual giving through donations, legacies and fees was the most significant source of funding, generating an estimated £22.3bn. Overall, total income growth represents a 4% increase on the previous year. Since 2000, income throughout the sector increased in real terms at an average rate of 2% per annum.

However, whilst the overall funding picture appears to be positive, analysis of trends within the data suggests that income growth has not been evenly distributed. Over the same time period, smaller local charities have seen real incomes fall, while larger national organisations have seen considerable income growth. It is also estimated that only 0.7% of organisations throughout the sector generate 62.6% of total income¹⁸.

Grants continue to be important for small third sector organisations. Research from England found that the proportion of community businesses that derived most of their income from grants had increased in 2018 compared to 2017¹⁹.

In Wales, 56% of social businesses surveyed in 2018²⁰ had applied for finance in the last 12 months with a striking preference for grant funding; 93% of these businesses applied for grants. Grant making trusts or foundations were the primary providers of grants, with 66% of those who applied for grants approaching these organisations.

¹⁷ NCVO (2018) UK Civil Society Almanac 2018: <https://data.ncvo.org.uk/a/almanac18/finance-overview-2015-16/>

¹⁸ Charity Financials (2018) Charity Income Spotlight: <https://secure.charityfinancials.com/reports.aspx>

¹⁹ Power to Change (2018), The Community Business Market in 2018, Research Institute Report No. 19

²⁰ Social Business Wales (2018), Access to Social Investment Finance

Relative to population, the value of the third sector in Wales is considerably smaller than in the rest of the UK. The WCVA point to a number of potential factors with respect to this, including relatively low levels of funding from trusts and foundations²¹.

Direct charitable giving is an important source of income for small community organisations. In 2015–16, donations from individuals made up 34% of the total income of general charities in Wales. This can be broken down into legacies and individual giving. Of the total income of £1,196.3m, individual donations accounted for £130.5m (or 32% of total voluntary and 11% of total income) and legacies for £26.50m (or 7% of total voluntary and 2% of total income). However, UK data suggests that only 26% of charitable donations go to small local charities. Indeed, in Wales, only 21% of the organisations surveyed for a 2018 report²² saw charitable giving as a main source.

Only 10% mentioned trading as a main source of income, and the report found little evidence of new entrepreneurial development.

The picture in Pembrokeshire

Feedback from respondents in Pembrokeshire interviewed for this study suggests that here most organisations relied heavily on one or two sources of funding. The most common source of funding was that of grants, with respondents reporting an average of 49.5% of their income arriving in the form of grants. Income generated from trading accounted for 29.7%.

When asked about unmet needs and financial challenges, several respondents reported that they were able to secure the funding that they needed in order to support their activity. These organisations tended to be larger in size by turnover and staff, and less likely to report capacity as a barrier to securing funding.

Conversely, six organisations, mostly smaller, volunteer-led groups, reported that they could not secure sufficient funding to support their activity. A common issue that respondents raised related to capacity, in that the time and expertise required to effectively identify and apply for funding and donations placed significant demands on the organisation. One such organisation reported bouncing from one small grant to the next, with long periods with no cash reserves.

A further concern raised was the perceived complexity and conditionality of many grant funding streams. A number of respondents suggested that the considerable time and investment required so as to complete even small grant applications were prohibitive. The perceived opaque nature of funding criteria surrounding some schemes made it difficult to prioritise applications and learn from unsuccessful bids.

²¹ Third Sector (2018): <https://www.thirdsector.co.uk/welsh-charities-account-just-1bn-45bn-uk-sector-value-according-new-website/finance/article/1458920>

²² Garfield Weston Foundation (2015), An insight into the future of charity funding in Wales

Alongside the intense competition for grants, funding from other sources is also under pressure, as the example of the Pembrokeshire Coast National Park Authority's reduction of the funding made available for the Pembrokeshire Coastal Forum from £20k to £10k per annum illustrates.

Use of investment finance

Only 10% of social businesses in Wales applied for social investment loans. The main barriers for social businesses in Wales with respect to seeking out investment finance included lacking awareness, a willingness to take on risk, and the expertise required in order to source finance²³.

This pattern is confirmed by a majority of respondents in Pembrokeshire, who reported that they had not pursued investment finance as an option to fund their activities. One respondent suggested that they would look at crowdfunding to invest in their premises but indicated that they *"would not consider loans, as this would commit us to an ability to repay"*.

Referring specifically to the possibility of *"running community share offers or seeking out peer-to-peer lending"*, issues were raised regarding a lack of internal capacity and a lack of familiarity and knowledge or experience in relation to investment finance. Similarly, respondents pointed to the perceived risks associated with accessing finance, with one trustee of a small, volunteer-led organisation suggesting that the thought of taking on the risk associated with repayable finance was *"frightening"*. Another respondent highlighted that they could not consider repayable finance, because *"with much of the activity we undertake there are no obvious income streams"*.

These findings resonate with feedback from specialist organisations in Wales, which similarly reported very limited demand for investment finance from organisations in Pembrokeshire. Indeed, the Social Business Wales report²⁴ suggests that being aware of the different funding opportunities and understanding which funding sources to apply for were key challenges in accessing finance. Specifically, in relation to loans, the availability of information and understanding in respect of the relevance of different products and a lack of financial expertise and understanding with regard to the overall loan process acted as barriers. Importantly, however, many reported that they were not even looking for loans. This is an important consideration in considering how perceived gaps in community finance can be met.

Third sector ability to diversify funding/finance sources

Generally speaking, small to medium-sized charities in Wales lack the dedicated resources, drive and skills development required to tackle the changes arising from the uncertainty surrounding public funding that affect their longer-term ability to deliver services²⁵. In terms of their wider approach to fundraising from trusts and foundations, the organisations surveyed were found to approach 'like-minded' foundations whose funding criteria or people they know.

²³ Social Business Wales (2018), Access to Social Investment Finance

²⁴ Social Business Wales (2018), Access to Social Investment Finance

²⁵ Garfield Weston Foundation (2015), An insight into the future of charity funding in Wales

Nearly 80% of small to medium-sized charities in Wales stated that their funding mix was not right for what they wanted to do, but few had begun to plan for different service delivery and funding models. Only 20% identified a need for more fundraising resources, including time, and there was little demand for other kinds of help.

Small to medium-sized charitable organisations need to become more proactive and engaged in identifying and seeking help with growth and development needs and require support in making this transition. Recommendations in the Garfield Weston report included a need for funders to provide development grants for a wide range of organisational growth needs such as training and skills development, change management, business planning and development, budgeting, costing, communications, market research, and marketing. Alongside this the authors recommended that funders review information on eligibility criteria and accessibility to small to medium-sized organisations in Wales.

Support in order to identify ways in which to effectively increase trading opportunities to change the current dependence on grants in community enterprises is a further need identified. Early experience from the Growth Fund²⁶ highlights the need to provide support to social businesses that wish to develop earned income, including diagnosis and review, advice and support and a range of grants to support the development of new trading activities²⁷.

Small community organisations in Pembrokeshire reported that they did not have the capacity to develop the kinds of fundraising activities that would equip them to compete in a sophisticated charitable giving landscape.

Preparing for future opportunities

The current expressed and latent demand for community funding/finance is only one side of the coin. A Local Fund could also play a role in enabling community organisations to take advantage of emerging enterprise opportunities. The local stakeholder interviews considered which specific opportunities might be able to take advantage of enhanced community funding/finance in order to take social enterprise activities forward.

An expected shift towards more local service delivery — combined with a public sector withdrawal from non-statutory provision — ran through several of the interviews. Interviewees recognised that community enterprises would need to develop the baseline capacity to be able to take advantage of such opportunities. Interviewees also pointed to the fact that there are community organisations that are very actively exploring specific social enterprise ideas but are not quite ready to take advantage of existing funding/finance sources.

²⁶ Part of the Access - The Foundation for Social Investment suite of products

²⁷ Bolton M. (2016), Learning Report; Access - The Foundation for Social Investment

Specific opportunities highlighted in the interviews included:

- A Pembrokeshire County Council intention to review asset transfer policy with a particular focus on services (e.g. libraries)
- A drive to relocalise the provision of public services
- Fledgling community enterprises that have been created as a result of work to develop local community hubs, that have taken first steps in securing funding and that are likely to need to graduate to other types of finance
- Individual community enterprises with innovative business ideas (e.g. Transition Bro Gwaun, Pembroke Dock Heritage Centre, and Pembroke Museum).

Less specific thematic areas that could lend themselves to creating a clear proposition for a Local Fund to attract funding and make a clear offer to community enterprises were also identified, such as:

- Skills and training
- Young people
- Different models for the provision of care (e.g. social prescribing, cooperative services run by beneficiaries)
- Health and well-being
- Community transport
- The green economy
- Decarbonisation
- Short supply chains
- Agri-tourism.

This feedback indicates that there are a number of areas that could feed into the development of a clear proposition to donors and investors for a Local Fund. In order to do so convincingly and to adequately tailor the offer to be made, focus areas would need to be identified and specific funding/finance needs determined.

Stakeholders also identified opportunities for a Local Fund to offer a conduit for funding/finance to be distributed to community organisations. Most notably, Community Energy Pembrokeshire is likely to be looking for partners to create an easy route to community benefit funds. Similarly, conversations have been had about different ways of creating a legacy from the fossil-fuel-related activities in Pembrokeshire.

It is important to note that the specialist organisation interviewees raised a concern specifically regarding the addition of grant funding to the market in Pembrokeshire. They highlighted a potential risk of distorting the market. Community organisations would naturally opt for grant funding if it became available, rather than either developing their in-house income-generating capacity or indeed using investment finance to back enterprising activities.

Similarly, interest rates for existing community debt finance are determined on the basis of the cost of delivering finance solutions to community enterprises, including an assessment of the associated portfolio risks and likely default rates.

Offering grants where social investment tools would be a more appropriate way to nurture the sustainability of community enterprise or subsidising interest rates in order to undercut existing community finance providers has the potential to distort the market with long-term, detrimental effects for the overall community enterprise fabric in Pembrokeshire.

Demand-side gap identified

The overall conclusion from this demand analysis is that there is scope to bolster community enterprises' income and, therefore, latent demand for additional community funding/finance. However, any new funding and/or investment finance would need to be delivered on the basis of a clear strategic direction as to how this will nurture organisational capacity and community organisations' own income-generating activities. In addition, demand stimulation and significant support in developing internal capacity and diversifying income would be required along with the provision of additional income sources.

Supply side – competition and trends

Therefore, the demand analysis suggests that there is latent demand for additional community funding/finance that might be activated through capacity development and a strategic approach to grant funding as a mechanism for community organisations to graduate into loan and equity finance. A corresponding analysis then needs to be undertaken in order to understand whether the kinds of funding/finance that community organisations in Pembrokeshire might take up — the latent demand — already exist.

The specialist organisation interviews suggested that there is a risk in assuming that the financial market is failing to provide, and that would-be enterprises are not able to start up or develop as a result. The expert feedback painted a general picture of a highly competitive intermediary market that links the capital supply side to the demand markets and finds and fills vacuums quickly. It is therefore worth considering different elements of the supply side in turn.

Two 'markets' need to be considered so as to understand whether there is an opportunity for a Local Fund to strengthen the supply of community funding/finance in Pembrokeshire.

1. Firstly, the existing offer of community funding/finance (grants, loans and other debt finance, equity investment) needs to be understood.
2. Secondly, competition to attract any funds that could potentially be raised by a Local Fund needs to be understood — the 'markets' for charitable donations and for social investment capital.

Current supply of community funding/finance

Grant funding

Providers of grant funding for community organisations range from large trusts and foundations and Wales Community Foundation grants, to a number of smaller local grant schemes in Pembrokeshire. Feedback from community organisations in Pembrokeshire suggests that there are indeed a plethora of opportunities to apply for grant funding. However, evidence suggests that there is strong competition for this funding, with success rates for grant applications of 20–50%, which suggests that organisations need to make multiple applications to secure any funding²⁸.

Organisations delivering grant funding schemes in Pembrokeshire with a potential link to a Local Fund include:

- **Pembrokeshire County Council’s Enhancing Pembrokeshire scheme to distribute funds raised via the Second Homes Tax:** Seventy-five per cent (£676,000 in 2018/19) are distributed locally in directly affected communities (between £170 for Ambleston and £83,692 for Tenby) and 25% (£226,500 in 2018/19) are distributed countywide. The fund targets outcomes with respect to five well-being objectives, with decisions made by a Cabinet sub-committee every two months.
- **South Hook LNG Community Fund:** Administered by PAVS, this provides up to £5,000 of funding for both capital and revenue costs for three types of projects (economic projects that will foster entrepreneurialism and enhance prospects for employment and development, projects which raise environmental awareness through education and a volunteer programme, and social projects which address the effects of deprivation and poverty (with particular emphasis on youth)).
- **Bluestone Foundation Community Fund:** Administered by PAVS, the fund distributes finance raised from guests and through staff fundraising initiatives (over £21,000 in 2017) and aims to help people to help themselves through environmental, economic and social projects, and provide economic growth and social opportunities; decisions are made by Bluestone Foundation Committee, which is composed of employees.
- **Milford Haven Port Authority Foundation:** The Community Fund reinvests profits from Trust Port to benefit local communities, offering funding of up to £3.5k and targeting charities, voluntary organisations, community organisations, and social enterprises. The fund has no enterprise focus and decisions are made by a panel of volunteer staff who meet monthly or bimonthly.
- **Valero Refinery Foundation:** Provides support for extracurricular education, environmental projects, and initiatives to promote culture and the arts, as well as volunteering through the Pembroke Valero Volunteer Council, and makes additional community and fundraising support available to different Charities of the Year each year (with the health theme in charities selected since 2011).
- **Pembrokeshire Coast National Park Authority Sustainable Development Fund:** Administered by Planed, it distributes more than £150,000 (2018–19) to support projects that provide social, environmental, economic and cultural benefits, so as to improve the quality of life for communities in the National Park.

²⁸ Social Business Wales (2018), Access to Social Investment Finance

Specific gaps identified by community organisations in Pembrokeshire included the lack of availability of core funding, rather than capital and project revenue costs. Similarly, some respondents saw funders increasingly looking for very specific outcomes which small local organisations would find difficult to deliver. There is no dedicated grant fund to support social enterprise activities, although feedback from local interviewees suggests that even those funds that could potentially fund social enterprise activities do not see much demand for this.

In addition to this, the Social Business Wales report points to an expectation that grant funding will reduce further in the coming years, further heightening the level of competition for grants.

Social investment

The availability of finance for community economic development has been a constant policy focus in recent years. This has led to the emergence of a complex landscape of organisations and schemes offering social investment in the form of debt and grant funding as well as support for equity finance, e.g. community shares. The result is an intricate structure of finance and delivery partners operating at different levels and delivering different supply-side functions.

In Wales, a number of organisations offer social investment. These range from homegrown Welsh schemes to those located elsewhere but accessible to organisations that are based in Wales.

The WCVA's social investment arm, Social Investment Cymru, has developed bespoke finance solutions for community economic development in Wales. In particular, the Social Business Growth Fund (SBGF), which offers blended finance combining grant and debt finance at a 0% interest rate, was designed specifically in response to an identified market gap. This gap related to the provision of suitable finance for social enterprises, finance that is pitched in between traditional grant funding with a focus on social impact and social investment finance that was found to mostly remain out of reach for social businesses.

SBGF forms part of the wider Social Investment Cymru suite of products that were specifically designed to create an offer to meet the demand for social investment of less than £150k, and often well below this figure. Many social investors are not able to offer such loans because they are too expensive to administer, or, when available, are often unaffordable for social businesses or require security.

Alongside this, a number of specialist organisations in Wales offer loan finance (e.g. Robert Owen Community Bank), as do several UK national organisations (e.g. Charity Bank, Triodos Bank, BIG Issue Invest, the Co-operative Bank, Joseph Rowntree Foundation, Big Lottery Fund, and Esme Fairburn Foundation). A Social Business Wales report found that in 2018, social finance providers in Wales offered a wide range of financial products in relation to value, too, ranging from £500 to £3,000,000. It reported a success rate for social investment loan applications as high as 90–97%²⁹.

²⁹ Social Business Wales (2018), Access to Social Investment Finance

Indeed, the Social Business Wales report suggests that the availability of loan finance is not seen as a significant barrier to organisations' sustainability and/or growth, with only 24% of organisations seeing this as a key issue (compared to 75% who saw access to grant funding as a significant barrier).

Routes to market for community finance

Whether a gap exists does not purely depend on whether funding/finance is potentially on offer for community organisations in Pembrokeshire, but also depends on whether existing provision has a viable route to market to meet any expressed or latent demand. Even where the type and structure of the funding/finance available would, in theory, meet the demand that exists, a Local Fund could potentially play a role in making it accessible for community organisations on the ground. Rather than seeing existing providers as competition, this would suggest that a partnership arrangement might tie (latent) demand and existing supply together.

Several specialist organisation interviewees with a role to play in community funding/finance in Wales suggested that they had limited reach into Pembrokeshire and were open to the idea of exploring how demand for their respective funding/finance offer could be identified or stimulated. UnLtd. is actively exploring place-based partnership arrangements, Robert Owen Community Bank has an interest in extending its scale and reach, and the Social Business Growth Fund has secured additional funding with an associated need to identify suitable investment propositions.

Plans for The People's Bank

While not strictly speaking social investment, proposals for a new Public Bank for Wales — The Peoples Bank — will potentially have a bearing on the viability of any additional provision of community investment in Pembrokeshire. The funds to be invested in the new bank have been signed off by the First Minister, whose Manifesto included a commitment to creating the bank.

An initial market feasibility stage will focus on identifying gaps in Welsh regions and sectors and how best to deliver cooperative bank finance in these. A main consideration relates to the question of how it can complement existing provision from the non-bank finance sectors, such as community finance, funds and foundations, as well as filling gaps.

It is anticipated that the bank, which is likely to be launched in two years' time, may take the form of a CSBA model³⁰ — a cooperative. A core team is currently steering the process of setting up the new bank through its initial stages. The expectation is that The People's Bank will link to local regions through local authorities and local stakeholder groups. The WLGA is closely involved in planning for the bank to be capitalised through regional public funds. The bank will be able to wholesale capital to local/regional retailers such as social finance providers.

³⁰ See <http://www.csba.co.uk/banking/>.

Raising additional community funding/finance

Beyond existing schemes and products, the availability of any additional funds that could be secured by a Local Fund is a pertinent question on the supply side.

Charitable giving

The research undertaken for this study suggests that key to securing donations is the ability to offer a compelling cause or narrative. This is supported by research from the Institute of Fundraising, which suggests that for 60% of people in Wales, the main reason as to why they had given money in the previous three months was that it was a cause in which they believed and 51% would like to hear from the charity after giving, e.g. more information about the charity, a confirmation of the donation, or information about other ways in which to support the charity or cause³¹.

Alongside this compelling cause or narrative, building a donor base is the second main challenge in this fundraising approach. The 2012 Money for Good report developed a donor segmentation and an understanding of the profile of each segment that can help to target charitable giving messages, campaigns and relationship building.

Table A1.1: Key giving segment details

Segment	% population	% donations	Average donation
Loyal supporter	31%	22%	£214
Ad hoc giver	18%	9%	£151
Good citizen	6%	6%	£311
Faith-based donor	11%	32%	£906
Engaged champion	24%	17%	£212
Benefactor	4%	7%	£582
Thoughtful philanthropist	7%	7%	£334

Established in 1996, the Pembrokeshire Lottery is the most prominent example of a charitable organisation that specifically exists to capture charitable funds from individuals in the county. With 8,700 regular players, they capture around £130k of charitable donations per annum, which are used to make small loans to businesses in Pembrokeshire.

³¹ Institute of Fundraising (2017), Insights on charity fundraising, Regional Factsheet – Wales, April 2017

Alongside this, a number of organisations promote opportunities for charitable giving. The National Park uses a number of fundraising mechanisms, e.g. the Sponsor a Gate scheme³², and is currently exploring how such fundraising activities might be strengthened. This includes a consideration of campaigns to attract donations from high-net-worth individuals and plans to also establish a lottery. Other organisations with active fundraising campaigns, from single gifts to fundraising events, regular donations, and payroll giving, include, for instance, Pembroke College³³, Paul Sartori, Crossroads Mid & West Wales – Hafal Crossroads³⁴, Headway³⁵, and the Welsh Air Ambulance Service³⁶, to name but a few.

Finally, a brief glance at just one of the established fundraising platforms, i.e. Localgiving, further illustrates the diversity of causes in Pembrokeshire that are competing for charitable giving — from the Pembrokeshire Access Group and the Citizens’ Advice Bureau to Inclusive Play for Pembrokeshire and the Pembrokeshire Coastal Forum³⁷. This is but one way of using digital tools to raise funds, alongside, for instance, reward-based crowdfunding in which individuals donate towards a specific project in exchange for a reward or product at a later date.

There is therefore considerable competition for charitable giving in Pembrokeshire. This heightens the need to develop a convincing offer for a Local Fund, an offer that:

- Is clear and convincing enough to appeal to potential donors (large and small)
- Is not seen to divert valuable funds away from existing charitable organisations in Pembrokeshire.

Comparing the share of total income, in Wales and the UK as a whole, made up by donations from individuals would seem to confirm that there is scope to increase the overall level of charitable giving in Pembrokeshire if a convincing offer is made. As illustrated in diagram 1, while the value of individual donations as a share of the total income of charities in Wales has fluctuated quite a bit between 2010 and 2016, being at 11% in 2016, this was still considerably lower than the 16% of total income raised by charities in the UK as a whole. More detailed research would be needed in order to assess the specific situation in Pembrokeshire in this respect.

³² <https://www.pembrokeshirecoast.wales/default.asp?PID=841>

³³ <https://www.pem.cam.ac.uk/alumni-development/support-pembroke/make-gift>

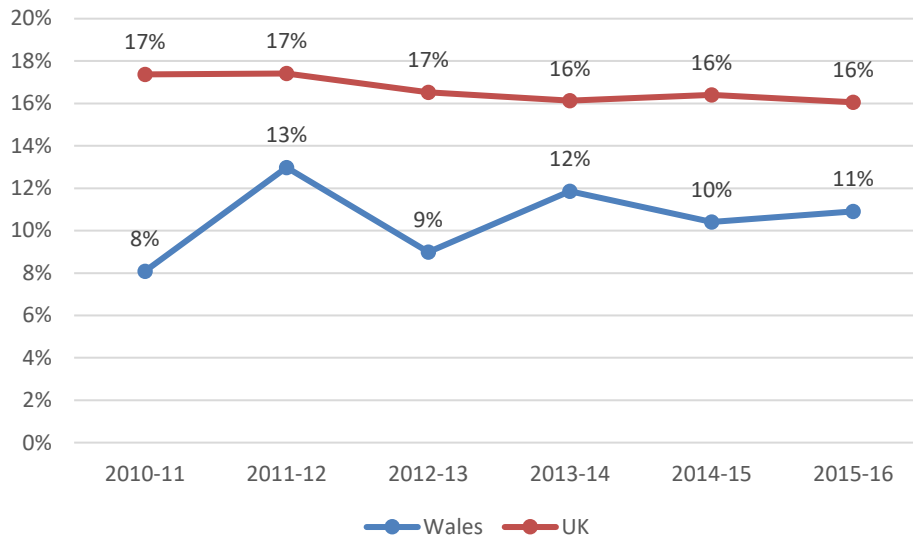
³⁴ <http://www.crossroadsmww.org.uk/supporting-our-work/>

³⁵ <https://www.headway.org.uk/donate/>

³⁶ <https://www.walesairambulance.com/>

³⁷ https://www.google.com/search?client=firefox-b&ei=I9IXOZwhs7AArGcqhg&q=localgiving+pembrokeshire&oq=localgiving+pembrokeshire&gs_l=psy-ab.3...12566.12566..13590...0.0..0.69.69.1.....0....1..gws-wiz.1lauY3OjciQ

Diagram A1.1: Share of total income raised through individual donations – Wales/UK as a whole



Source: own diagram using data from <https://data.ncvo.org.uk/category/almanac/voluntary-sector/income/>

Major donors

Pointing to a considerable increase in the value of donations made by major donors in the UK, recent research points to a ‘boom time’ for UK philanthropy. The report refers to a “culture of under-giving” and suggests that “major donor fundraising continues to be a fast-growing element of UK charity fundraising activity, and a small proportion of ‘major’ donors disproportionately shape giving in the UK”³⁸.

A 2013 report found that donors are becoming more strategic in their giving, e.g. through organising their giving through a personal foundation, which enables planned, long-term, tax-efficient giving. This rose from around 50% in 2002 to nearly 75% in 2012. Evidence also points to a correlation between charitable giving and volunteering time. Encouraging greater levels of volunteering could therefore increase the value of donations, too. The US Study of High Net Worth Philanthropy has consistently found that volunteering is a significant part of the philanthropic efforts of wealthy individuals and that those who volunteered more also donated more³⁹.

³⁸ nfpSynergy (2017), Major Donor Giving Research Report: an updated synthesis of research into major donors and philanthropic giving; commissioned by the Institute of Fundraising

³⁹ nfpSynergy (2017), Major Donor Giving Research Report: an updated synthesis of research into major donors and philanthropic giving; commissioned by the Institute of Fundraising

There is evidence to suggest that so-called ‘new philanthropy’ or ‘venture philanthropy’⁴⁰ involves an active, hands-on and highly engaged approach, donating talent, experience, skills and access to networks, as well as finance. This stronger engagement is mirrored in an often strategic, result-oriented “investment-like” way of giving. Donors demand evidence of impact through measurable outcomes and seek to maximise societal return on investment. “The desire to maximise the impact their money can achieve fits with this trend towards involvement and ‘giving while living’, rather than endowing foundations in perpetuity. Philanthropists are increasingly starting at a younger age, considering how best to allocate their wealth from near the beginning of their accumulation of wealth.”⁴¹

A key consideration for a Local Fund relates to leveraging an emotional connection to Pembrokeshire as a way of generating additional donations. The specialist organisation interviews recognised that there might be potential to reach wealthy individuals with a place-related proposition. However, with reference to experience from elsewhere, it was suggested that this would require the development of a fundraising campaign and associated brand.

Incentivising wealthy individuals to give would require a clear proposition focusing on specific local initiatives (e.g. investment in local transport initiatives that are not equipped to undertake own fundraising). Building on an approach to building a general donor base as outlined above, specifically targeting major donors would require the identification of specific wealthy individuals who might be persuaded to make large donations to a cause in Pembrokeshire. In analogy to a capital appeal, obtaining big contributions first can catalyse further donations.

Legacy giving

Legacy giving has been on the rise over recent years. Between 1988 and 2016, the number of charitable legacies rose from 68,000 to 119,000 — a growth rate of 1.7% per annum. Twelve per cent of adults over 65 years of age now have a charitable will. For the UK as a whole, legacy incomes have grown from £0.5m to £2.82bn since 1988, which corresponds to a growth rate of 3% per annum⁴². In Wales, legacy giving has also been on the rise, from 4% of total voluntary income for general charities in 2010–11 to 7% in 2015–16, while individual donations have fluctuated more⁴³.

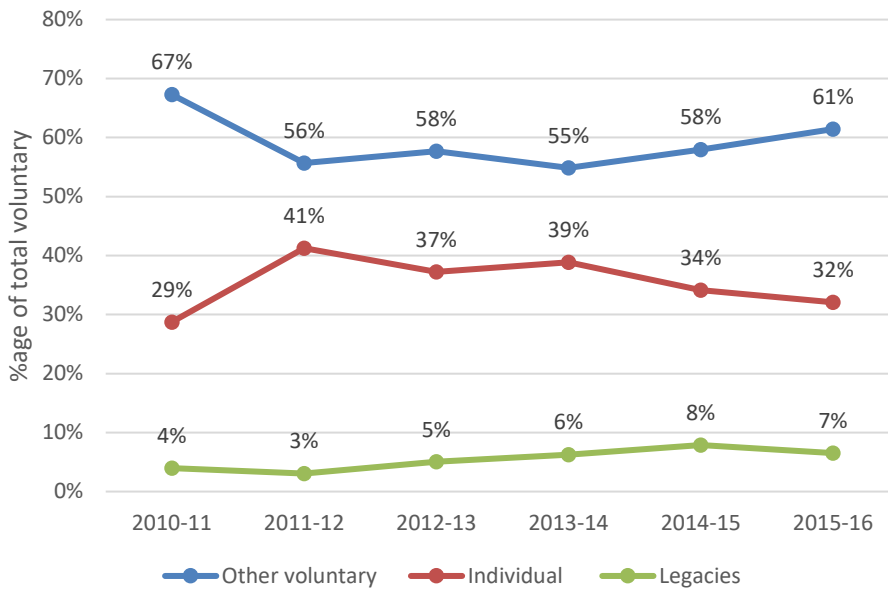
⁴⁰ <https://evpa.eu.com/about-us/what-is-venture-philanthropy>

⁴¹ Ibid.

⁴² Legacy Monitor Consortium (2017), Legacy Outlook 2016-2021

⁴³ Data from WCVA Data Hub: <https://www.wcva.org.uk/what-we-do/the-third-sector-data-hub>

Diagram A1.2: Trends in general charities’ voluntary income from individuals (Wales)



Source: own diagram using data from <https://data.ncvo.org.uk/category/almanac/voluntary-sector/income/>

Residual bequests are the most lucrative ones: in 2017 they were worth an average £46,600 for the UK as a whole and made up 92% of all legacy income. In comparison, average pecuniary (cash) gifts were worth only £3,300 each.

It is important to note, however, that the top 1,000 legacy charities account for 77% of all legacy income⁴⁴. There is also stiff competition for legacy giving, with the armed forces seeing the fastest growth, development and health charities also performing well and local health charities seeing particularly strong growth rates. Disability and children’s charities, on the other hand, continue to lag behind in growth terms⁴⁵.

Fundraising for legacy gifts is often built on establishing a long-term relationship between the potential legator (the person who leaves a gift in their will) and the charity or charities to which they choose to donate. It is also a complex area because of the regulatory and legal considerations of leaving wills and the administration of estates⁴⁶. The Institute of Fundraising highlights the crucial importance of effective marketing and communication for charities to take advantage of legacy giving.

⁴⁴ Legacy Monitor Consortium (2017), Legacy Outlook 2016-2021
⁴⁵ Legacy Monitor Consortium (2017), Legacy Outlook 2016-2021; Charity Financials: <https://www.charityfinancials.com/charity-financials-insider/more-legators-now-leave-gifts-in-wills-to-overseas-aid-and-the-environment-1767.html>
⁴⁶ <https://www.institute-of-fundraising.org.uk/guidance/fundraising-with-individuals/legacies/>

One of the most significant changes in donor motivation highlighted in a US study is the increasing influence of professional advisors. This is backed up by UK research commissioned by Remember a Charity, which highlights the important role of solicitors in communicating the benefits of legacy giving. The number of solicitors referencing charities during the will-writing process is on the rise — in November 2015, two thirds of solicitors and will writers stated that they reminded clients about legacy giving, up from 53% in 2011⁴⁷.

Intermediaries in charitable giving

As outlined, charitable giving is underpinned by diverse personal motivations and can take many different routes. To help people navigate this complex landscape, a great many intermediary offers compete in the marketplace, too. These include sophisticated services for major donors (e.g. advice on and provision of donor-advised fund accounts⁴⁸), specialised fundraising consultancies (e.g. Money Tree Fundraising⁴⁹), accountants and solicitors marketing services to support charities and donors alike in considering different options in order to maximise the benefits for everyone involved (e.g. Evens & Co in Milford Haven), and fundraising agencies and focused initiatives to stimulate giving to certain named charities (e.g. Asda community collections in stores, church communities' support for specific charities).

Alongside such services, digital platforms have further diversified the routes and channels through which individuals can donate to causes about which they care. A wide array of tools can be used by charities themselves and supporters to promote different causes and run charitable giving campaigns. From platforms that facilitate the actual process of making and collecting donations (e.g. BT MyDonate, JustGiving) to the use of social media for supporters to devise bespoke promotional tools and events, these create multifaceted competition for smaller donations from individuals.

Finally, considering specifically the picture with regard to place-based giving, under the heading of 'civic' or 'community philanthropy' a trend from the US has further added to the local giving landscape in the UK, too. Community Foundations are the most visible face of this trend.

Introduced in the UK in 1975, since the 1990s they have become strong players in civil society. They offer a point of contact between donors and local need for a particular geographical area. Depending on the wishes of individual donors, funds may be endowed (to provide sustainability in the future) or expendable and are typically pooled and invested for maximum gain. Community Foundations have successfully grown the value of their collective funds, which for the UK as a whole have grown to a combined endowment of £500m, a figure which doubled between 2012 and 2017⁵⁰.

⁴⁷ <https://www.rememberacharity.org.uk/news/research-sheds-new-light-on-the-role-of-solicitors-in-facilitating-legacy-giving/>

⁴⁸ For example, NPT-UK: <http://www.npt-uk.org/who-we-are/mission/>

⁴⁹ <http://moneytreefundraising.co.uk/services/consultancy/>

⁵⁰ <https://www.charityfinancials.com/charity-financials-insider/community-the-best-foundation-for-giving-1714.html>

In response to criticism (of being too focused on leveraging funds and being too close to the state and statutory funding missions at the expense of nurturing leadership and empowerment at the local level), Community Foundations have become more focused on revitalised models of local, place-based giving. The use of Vital Signs reports to assess community needs and identify priorities is designed to better direct spending, putting donors and recipients on a more equal footing⁵¹.

Similarly, Community Foundations are heavily involved in experimenting with relational philanthropic forms, nurturing two-way, mutual, interactive relationships between donors and recipient groups in order to enhance the effectiveness of charitable giving for communities⁵².

Recent research in England⁵³ highlights the success of new place-based giving schemes as part of the landscape of charitable giving in the UK. It reveals a huge amount of collaborative working between funders and other organisations which span the private, public and third sectors, including local councils, local and metro mayors, independent grant-making foundations, businesses, and local residents. There is a high degree of disparity in terms of the level of development of local philanthropy ecosystems, and where there are existing place-based giving schemes within these ecosystems, they differ greatly in approach, scale and maturity.

The challenges in setting up such place-based giving schemes identified in the report can be summarised as relating to: funding (seed funding and core costs), capacity issues (e.g. need for development workers), building a reputation and track record, evaluating impact, marketing and communications, building partnerships, and engaging with the local community.

Individual investors

Increasingly, with the advent of social impact investment, individual investors are interested in going beyond ethical investment approaches of divesting from negative impacts and are choosing impact investment approaches instead. The rationales for such investments and, by association, the routes used to make such investments, as well as the associated advisor and intermediary infrastructure, have diversified considerably. Organisations offering social investment services replicate the financial services approach inasmuch as they seek to offer complete packages of services for investment or philanthropic giving.

In many cases, individual investors, particularly those looking for high-value investments, will use the services of wealth managers and advisors who will either integrate impact services into portfolio management approaches (e.g. Resonance⁵⁴ — designs, raises and manages focused impact investment funds to scale up good social enterprise models) or support individual direct investments in organisations delivering impact and a financial return.

⁵¹<https://www.charityfinancials.com/charity-financials-insider/community-the-best-foundation-for-giving-1714.html>

⁵²<https://www.charityfinancials.com/charity-financials-insider/community-the-best-foundation-for-giving-1714.html>

⁵³ Walker C. (2018), Place-based giving schemes: Funding, engaging and creating stronger communities

⁵⁴ <https://resonance.ltd.uk/investment-opportunities/>

Expectations regarding the financial return, the rigour of impact measurement and the interactions between investors and investees vary considerably in different scenarios.

Organisations such as ClearlySo or Investing for Good⁵⁵ act as intermediaries in connecting different kinds of investors and investees and developing innovative impact investment models. Facing both ways, this kind of intermediary organisation will work with high-impact businesses, charities and funds in supporting capital-raising activity by linking them with individual (and institutional) investors. Specifically targeting high-net-worth individuals and delivering services from deal origination, screening and due diligence to ongoing monitoring of the financial and social performance of impact investments, these organisations will be a first port of call for many affluent people, including in Pembrokeshire, who wish to invest in social good.

Replicating the investment angel approach for mainstream investments, ClearlySo also offers Clearly Social Angels⁵⁶ for high-net-worth individual investors dedicated to investing with an “impact lens”.

At the other end of the scale, interactions between social enterprise and investors are becoming much more fluid. New investment tools such as community shares, which are available only to cooperatively structured social organisations and are often used as a lever to access institutional investment (in the form of grants, loans or equity), and new ways of identifying and connecting with potential investors through digital means enable a much more direct relationship between investors and investees.

Crowdfunding platforms, for instance, allow community organisations to raise investment via an online platform and not secured against an asset. A ‘crowd’ of individual investors can put (mostly) small amounts towards a loan or equity-based investment in an organisation which will be repaid/serviced on an agreed basis. Investors in community shares, who are mostly from lower-income groups, investing relatively small amounts of money, are likely to be involved directly with the project beyond simply investing in it. They tend not to be predominantly motivated by a financial return.

A 2014 Nesta report⁵⁷ described the growing array of social investment options as “a growing movement afoot to revolutionise banking, investing and giving by using technology to simplify the links between those who want to invest money and those who need it”. Indeed, the use of alternative finance via online platforms is growing quickly in the UK — from 2014 to 2015 it had grown by 84% from £1.74bn to £3.2bn⁵⁸.

⁵⁵ <https://www.investingforgood.co.uk/investment-advisory>

⁵⁶ <https://www.clearlyso.com/investors/clearly-social-angels/about-clearly-social-angels/>

⁵⁷ Nesta (2014), Understanding Alternative Finance, The UK Alternative Finance Industry Report 2014

⁵⁸ Nesta (2016), Pushing the Boundaries, The 2015 UK Alternative Finance Industry Report

All of these routes for individual social impact investments are, in principle, open to investors (and social enterprises) in Pembrokeshire and, therefore, represent competition for a Local Fund. Considering any potential function that such a fund could usefully deliver to stimulate and enable individual investments in community enterprises in Pembrokeshire will need to take careful account of the most appropriate balance between raising awareness, building capacity, facilitating the use of such alternative investment approaches by community enterprises in Pembrokeshire, brokering investment relationships and pooling investment funds. Community shares, for instance, will usually involve a direct relationship between a community enterprise and individual investors, but may benefit from match or gap funding.

Fund management intermediaries

Endowment and social investment funds are part of a complex, wider fund management landscape. In order to play a role in investing an endowment or social investment funds, a Local Fund would need to compete with existing intermediaries in achieving optimum financial returns.

Similarly, administering downstream social investment funds is subject to procurement for fund management services. The Development Bank for Wales tendering for a provider to deliver the social enterprise strand of the micro loan fund for Wales, a contract which was secured by Social Investment Cymru, is a relevant example of this approach.

Investors and fund managers will be interested in the clarity of any proposition in terms of the social benefits created, the scale of any return on investment (social or financial), the fund management expertise and capacity with respect to managing risk, and so on. Developing the capacity to deliver on any of these objectives takes time to develop. The WCVA's Social Investment Fund, for instance, is only now moving towards accepting investors' money and taking advantage of tax reliefs. Up until now, the capacity had not been in place to take on these functions.

In addition, feedback from the experts interviewed for this study suggests that the success of a social investment approach depends on subsidised provision and access to guarantee schemes and/or match finance (e.g. grant funding from either foundations or government). This is necessary because community investment providers operate in markets wherein there is greater risk of non-repayment of mostly unsecured loans.

Policy guarantee schemes, such as the Enterprise Finance Guarantee scheme, provide the first-loss facility to absorb potential losses that is required in order to create an appropriate risk management approach and reassure investors (and avoid costing the higher risk fully into the cost of loans). Robert Owen Community Bank is currently the only Welsh organisation accredited to offer EFG underwriting to enterprises in Wales.

Similarly, the £30m Community Investment Enterprise Facility (CIEF) was designed to partially meet the capital need of CDFIs (which face significant barriers to achieving long-term sustainability and securing significant capital, at scale, to fully meet the demand of underserved small businesses) and test models of funding for CDFIs to attract other mission-driven investors. It caters to community lenders looking to borrow a minimum of £3m to on-lend to micro, small and medium-sized enterprise⁵⁹.

Interviewees suggested that access to such policy guarantee schemes is difficult to secure without a track record. This makes it difficult to start up a new community investment vehicle.

In addition, while access to this in Wales is possible in principle (e.g. ROCBF has an established track record), the underlying cost model is difficult to align with the Welsh market environment. The cost of lending is lower in Wales than elsewhere, mainly because the Welsh Government has artificially put the benchmark price of social loans at around 7%. Whilst that is good for borrowers, it also makes new entrants and competition more difficult, as intermediaries have to grow from much thinner margins and/or are squeezed into having to operate within riskier sectors of the market.

There is also increasingly a recognition that securing access to finance for social businesses beyond grants depends on a supply-side subsidy. This is the result of suboptimal costs and below-market returns. Providing investment capital for the sector is not viable as a pure market mechanism, since a Social Investment Finance Intermediary administering such funds is itself not financially sustainable without a subsidy.

A further consideration regarding a potential gap in the market for a Local Fund to act as an intermediary for social investment relates to the critical mass required so as to make such a vehicle viable. Authoritative figures are difficult to come by. One interviewee suggested that a fully fledged CDFI model would require at least a population of 1 million. While the precise figures are contested (e.g. the Welsh population supports ca. five CDFIs based in Wales, plus some market share for English CDFIs), the fundamental point that building scale sufficiently quickly to a position of viability being challenging within a competitive, risky and costly-to-service market was supported by several expert interviewees.

⁵⁹ <http://www.socialinvestmentscotland.com/delivering-capital-at-scale/>;
<https://www.bigsocietycapital.com/what-we-do/investor/investments/community-investment-enterprise-facility>

Gaps and opportunities identified

With this wide array of different investment and intermediary functions and services, identifying gaps in provision and untapped investment opportunities in Pembrokeshire is a complex undertaking. Consideration of the demand and supply sides of community funding/finance in Pembrokeshire suggests that in functional terms, there are three main gaps or opportunities to strengthen community finance in the county. These are:

1. Translating latent into expressed demand for social investment by nurturing enterprise and fundraising/investment capacity in community organisations;
2. Nurturing a culture of philanthropic giving and/or community investment in Pembrokeshire;
3. Creating an ecosystem to match supply and demand (e.g. brokering in existing funding/finance offers, making strategic gap funding available, and stimulating/supporting business startups).

Annex 2 – Linking demand- and supply-side rationales

In making choices regarding a Local Fund, these two sides of the equation — the supply side of raising funding/finance and the demand side of community organisations using grants or loans — need to be linked through an appropriate organisational vehicle. To achieve this, the inherent logic of the mechanism employed to raise finance needs to be aligned with the inherent logic of the mechanism employed to allocate and distribute funds.

In simple terms, two ends of a spectrum of funding/finance for community organisations can be distinguished on the supply side. At one end of the spectrum, money is given to community activities for a negative financial return (i.e. a donation); at the other end of the spectrum, finance is provided for a positive financial return, where the person/organisation providing the funds may receive more back than they put in (i.e. an investment). Along the spectrum are different types of investment that are associated with different levels of risks and returns for both the investor and the investee⁶⁰.

A key distinguishing feature of the overall social investment landscape is that, as opposed to mainstream finance markets, quite apart from any financial profit motive, investors along the whole spectrum want to see a social return.

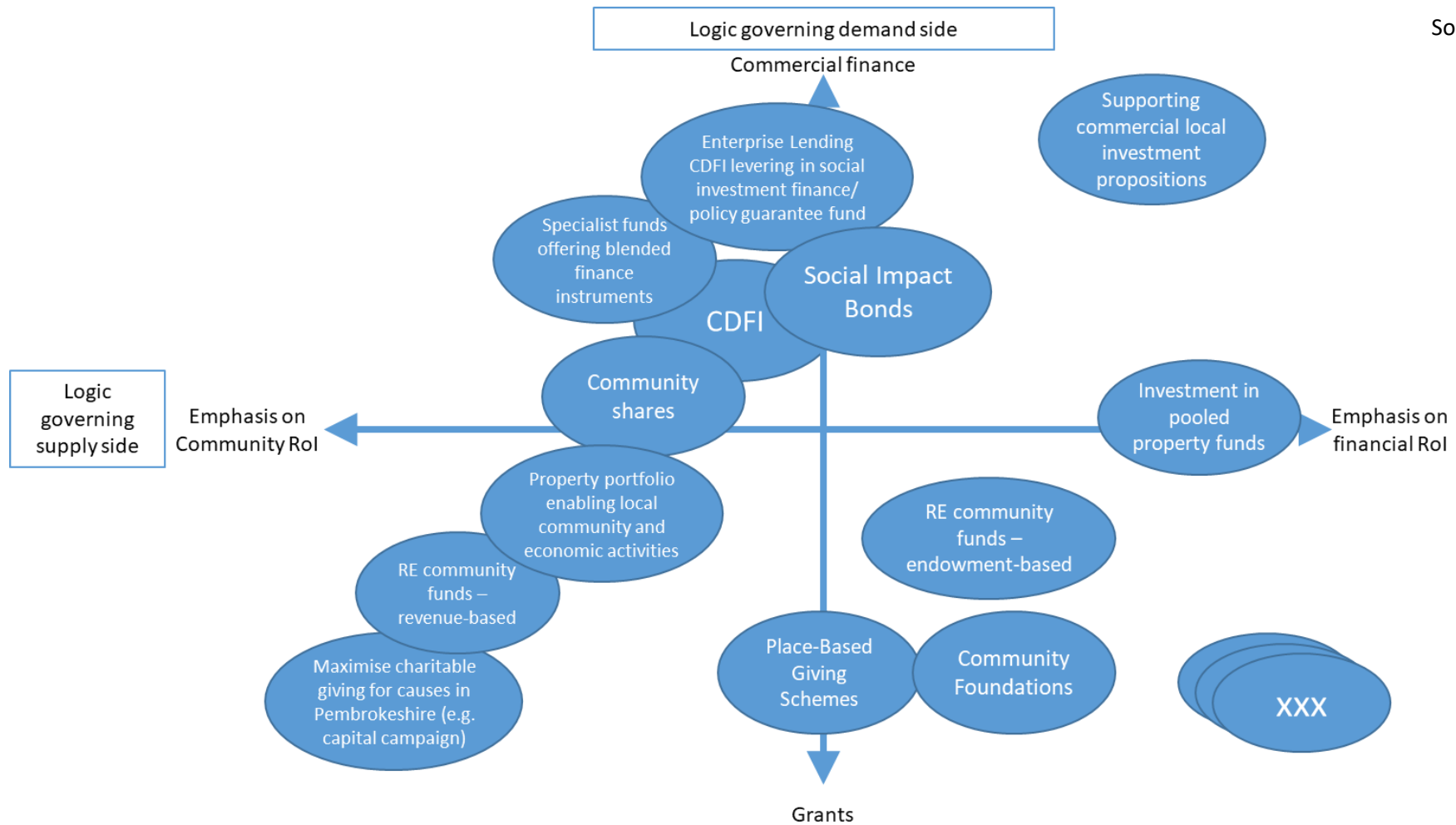
These different rationales on the supply side for community funding/ finance are mirrored by different rationales and associated practices on the demand side - community organisations, accessing and using funding/finance. Organisations adopting a social enterprise approach will develop business models that allow them to generate a surplus. Community organisations that are not focused on working through conventional markets, on the other hand, will need to find sources of finance that do not require them to generate a surplus.

The diagram overleaf illustrates how different combinations of the supply- and demand-side rationales for community funding/finance and the specific finance needs of different community activities and organisations are feeding into different organisational models and approaches with respect to raising and distributing funding/finance for community activities.

⁶⁰ <https://blogs.ncvo.org.uk/2012/02/16/can-social-investment-ever-be-simple/>

Diagram A2.1: Positioning potential approaches to community funding/finance

Source: own diagram



The diagram is by no means complete — a plethora of other models and structures exist. However, it illustrates the complex choices involved in identifying the most appropriate combination of functions for a Local Fund to make an effective contribution to the existing community funding/finance landscape in the county and add to the vibrancy of community enterprise.

Clearly positioning the rationale and objectives for a Local Fund in terms of these two axes of choice will be important in designing appropriate mechanisms with which to attract the right kind of funding/finance and nurture the capacity of community organisations to make effective use of this.

In designing an appropriate organisational vehicle through which to deliver on the specific mix of functions that has been identified for the Local Fund, demand- and supply-side expectations need to be aligned — the relative emphasis on a community and/or financial return on investment on the supply side needs to be aligned with the needs and capacities on the demand side and the ways in which community organisations in Pembrokeshire can make effective use of any additional funding/finance to deliver greater social benefit.

Annex 3 – Long list of potential study visits

Name	Comments	Actual visit
Two Ridings Community Foundation/the Local Fund for the Harrogate District	<ul style="list-style-type: none"> Partnership Harrogate Borough Council (gave pump-prime funding towards developing the fund and helps to open doors), the Harrogate & Ripon Centres for Voluntary Service (manages the Friends networking scheme and volunteering), and Two Ridings Community Foundation (manages the fund and grant-making process); Set up in 2017/18 — aims to build a significant endowment fund of £2m by December 2019 to provide the long-term legacy of charitable grant giving and to distribute £100,000 per annum by 2020; Focus on smaller community groups and organisations and causes which are often ineligible for larger national grants. 	✓
Open Newtown (Go Green for a Living)	<ul style="list-style-type: none"> Initiated by Cwm Harry Land Trust; Consortium of local volunteers, community enterprises and organisations; Successfully secured £1.1m Big Lottery Community Asset Transfer funding; Response to Newtown and Llanllwchaiarn Town Council call to look at new and more sustainable ways in which to manage the open spaces of Newtown. 	✓
Robert Owen Community Banking	<ul style="list-style-type: none"> Long-standing CDFI in rural area with a local economic development focus; Track record of identifying and developing different funds and tools (incl. securing relevant finance); Operate The Hub cooperative coworking space linked to the Siroli scheme and focusing on how entrepreneurs might fill gaps in community goods and services; Land trust originally included was moved into SPV. 	✓
Pen Y Cymoedd Community Fund	<ul style="list-style-type: none"> Example of wind energy company community endowment; Looking at setting up an evergreen fund after 20 years; Multi-thematic whole community focus (i.e. covering health and well-being, economic development, etc.); Considered use of loans to distribute funding, working with Welsh social lenders. 	

Name	Comments	Actual visit
Devon Community Foundation	<ul style="list-style-type: none"> • Rural community foundation (focus on grants); • Tentatively moving into some social enterprise support. 	
Foundation East	<ul style="list-style-type: none"> • Based in the East of England, serving Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk, Suffolk, and neighbouring areas; • Mission to support job creation, job sustainability, and to strengthen communities by providing financial products and associated services; • Offer social purpose and small business loans; • Also provide a professional Loan and Fund Management Service; • Democratically run and controlled by its members; • Social Purpose loans delivered in partnership with social enterprise incubator and Cambridge Judge Business School; • Raise capital to lend to customers by selling shares in the society — two types of shares available to investors: ordinary and CITR. 	
Scottish Communities Finance	<ul style="list-style-type: none"> • Community investor model; • Purpose to assist communities in raising capital from within their community and creating funds that can be used to address the needs of communities, thus making them more vibrant and resilient; • Interested in creating a new form of ‘citizen investor’ or ‘community investor’ via the purchase of ‘community bonds’; • Each community has a representative on the BenCom board. 	
Bristol & Bath Regional Capital (BBRC)	<ul style="list-style-type: none"> • Aim to catalyse regional change through civic-led, commercially focused, innovative investment; • Identification and facilitation of sources of finance within the region; • Helping local citizens to raise finance to secure a stake in their own community; • Ambition to become a significant and commercially sustainable driving force in the development of the region. 	

Name	Comments	Actual visit
Brechfa Forest West Wind Farm Community Fund	<ul style="list-style-type: none"> • Long-term economic development focus; • Delivered by Antur Teifi with three-year contract for community development support from Severn Wye (with innogy ‘keeping tabs on how money is used’); • Some funding allocated to the immediate area, but funding also available for longer-term economic development in the wider area; • Model based on the conclusion that ideas for strategic investment need to build on the earlier focus on community halls, etc. 	
Norfolk Future Fund	<ul style="list-style-type: none"> • Part of Norfolk Community Foundation; • Collective giving group — model to engage people in charitable giving; • Open to individual and corporate donors; • Monthly donations of £25; • Collective decision on grants using Dragons’ Den-style funding events. 	
ART Business Loans	<ul style="list-style-type: none"> • CDFI established in 1997 to help ‘alleviate poverty through enterprise’; • Has had to change and develop over the years; • SME-focused, urban environment; • Corporate and individual investments provide a base from which ART Business Loans is able to attract additional funds; • Using diverse public and private sources including banks; • Enterprise and social enterprise lending with a focus on business development and scale. 	

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