

# SOCIAL INVESTMENT IN RURAL COMMUNITIES

Focus on Northumberland



An exploratory report mapping understanding of and appetite for Social Investment amongst the VCSE sector in Northumberland.

Produced by  **VONNE**  
voluntary organisations' network north east

for  **KeyFund**  
Growing Enterprise in Communities

# Introduction

VONNE was commissioned by Key Fund to investigate understanding of and appetite for Social Investment within Northumberland’s Voluntary Community and Social Enterprise sector. The findings from this work will contribute towards the shaping of Key Fund’s strategy and approach for working with and supporting organisations in more rural areas.

## Methodology

Throughout February and May 2018 VONNE carried out a series of 10-20 minute telephone interviews with 20 Voluntary Community and Social Enterprise Sector organisations. The survey questions used are listed in Appendix A and a narrative account of each interview in Appendix B.

## Acknowledgements

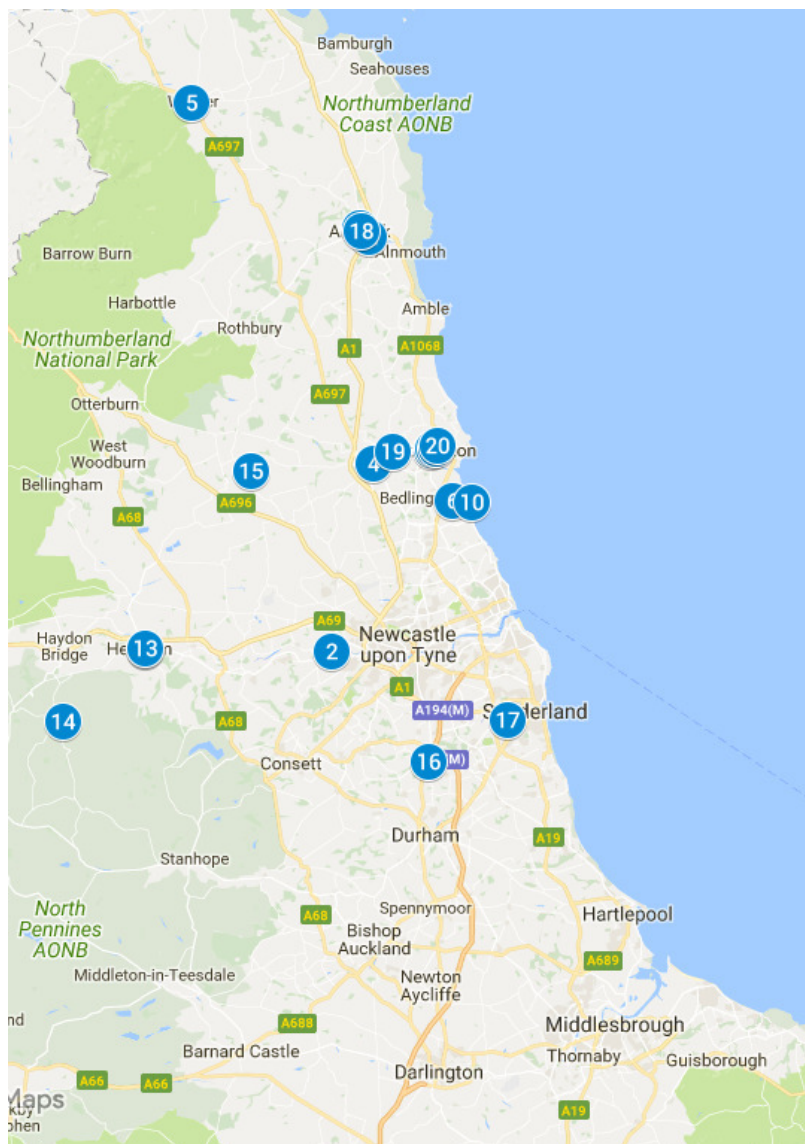
This report would not have been possible were it not for the time and insights shared by all survey participants, as well as guidance and advice from Key Fund.

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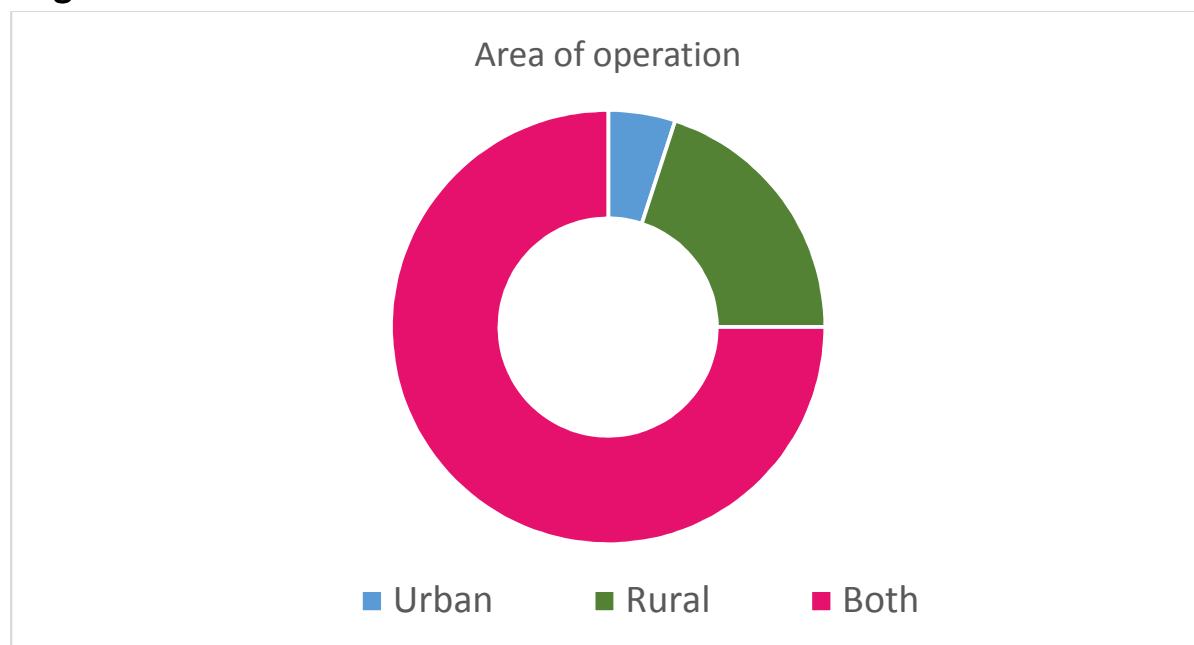
## Research participants map

1. Gateway Into The Community
2. Northumbria Historic Churches Trust
3. The Hextol Foundation
4. Northumberland County Blind Association
5. The Glendale Gateway Trust
6. The Briardale Community Centre
7. Carers Northumberland
8. Fusiliers Museum Of Northumberland
9. Cygnus Support
10. Blyth Resource & Initiative Centre
11. Northumberland Young Firefighters Association (YFA)
12. WATBus Community Transport
13. Hexham and Tynedale Community Trust
14. Natural Ability
15. North Northumberland Village Halls Consortium
16. ME North East
17. Include in Autism
18. Mind and Sole
19. Community Action Northumberland
20. Age UK Northumberland

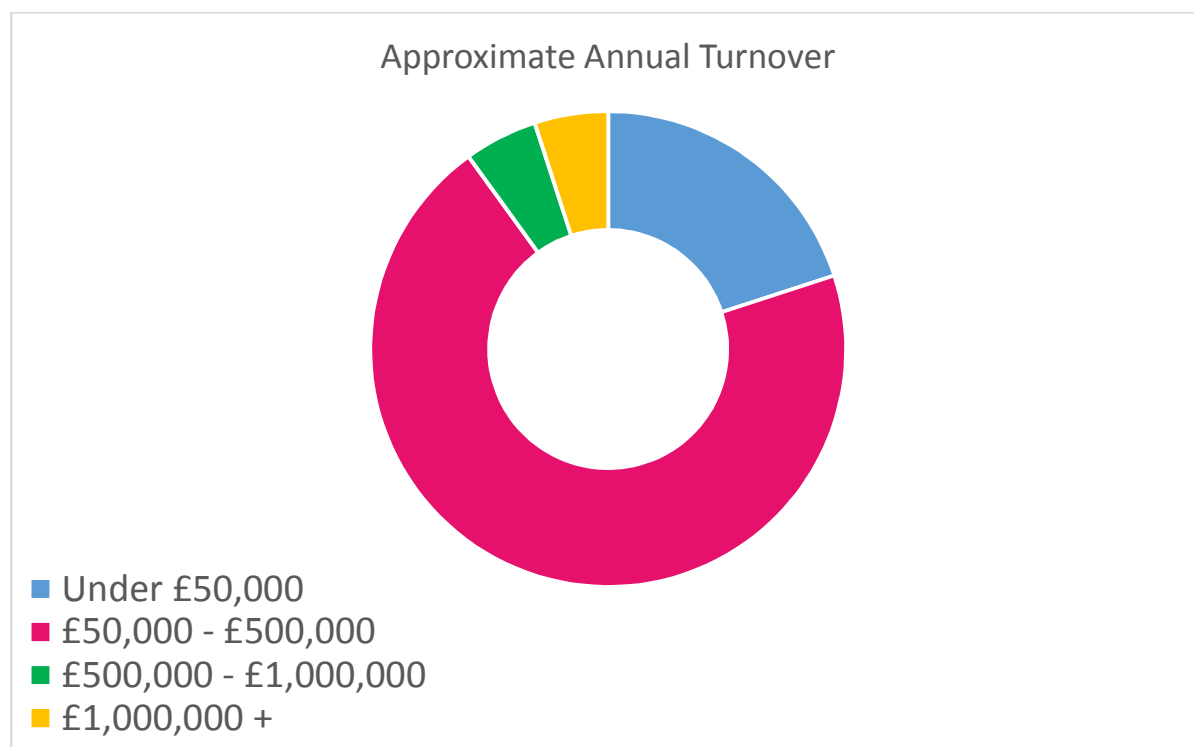


# Survey data & analysis

## Organisation overview

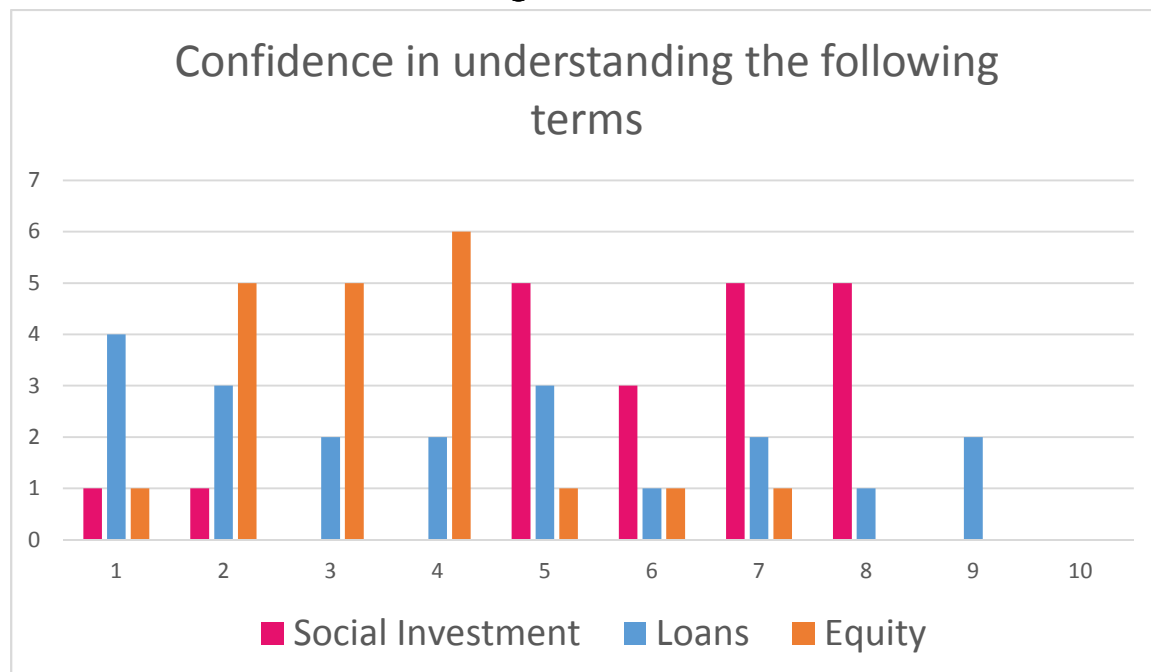


Most organisations surveyed work across a **rural and urban** landscape.



The majority of organisations surveyed are **medium** sized organisations with an approximate annual income between £50,000 and £500,000.

## Confidence and understanding of Social Investment



Most respondents felt **fairly confident in their understanding of social investment** overall, but **less confident about the concepts of loans and equity**.

**50%** of organisations surveyed felt they faced barriers to learning more about Social Investment.

“We’re not very well networked so often miss hearing about opportunities like this”

“My organisation would be too small to apply independently – and we’re struggling to find partners to collaborate with in the region”

“We lack time and resource to spend on learning about Social Investment”

70% of organisations surveyed have no experience of working with a social investor. The remaining 30% named Northstar Ventures and Unity Trust as the Social Investors with which they'd worked.

75% of organisations surveyed felt geography plays a negative role in them accessing the support they need.

"We have a lower population density which makes us less of a priority for funders"

"The usual North South divide, but also Urban / Rural differences between Newcastle and Northumberland"

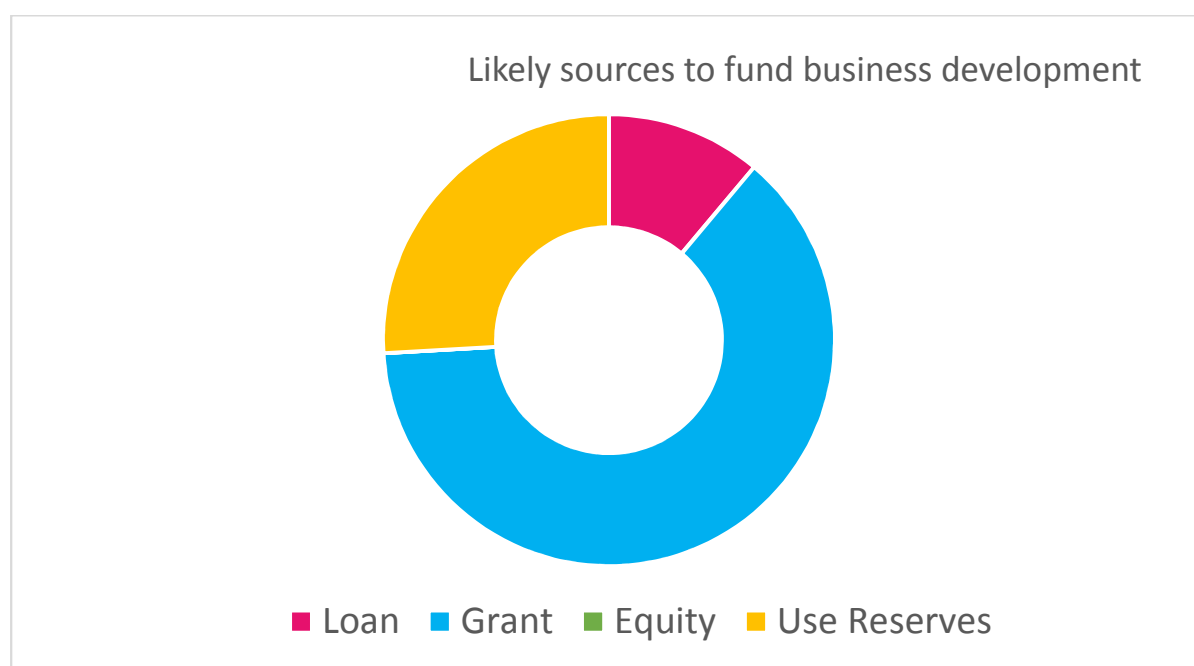
"Courses and Seminars often run in places like Liverpool and Manchester"

74% of organisations surveyed have organisation or business development plans for the next 12 months, ranging from building renovations to developing new services.

“We are developing new projects and will need to recruit staff for those projects”

“The organisation plans to continue to do what it always had, but over a larger area in the years to come”

“Our building needs refurbishing”



The majority of organisations surveyed would look to resource business development plans by applying for grant funding, with a few being willing to use reserves if necessary. Only **15% of participants had considered applying for a loan** for their organisation.

75% of respondents were keen to receive an invitation to the Lets Talk Good Finance Social Investment engagement event in May as an opportunity for them to learn more.

# Conclusions and recommendations

## Language

Respondents largely recognised the overarching term of Social Investment and appeared to associate familiarity with understanding, whilst reporting poorer understanding of the specific models of investment that come under that banner.

Others felt they had a strong theoretical understanding from having either read general marketing information and/or having attended a light touch information event, but couldn't apply that understanding to their own organisation or business model without support.

## Recommendations

It would be of use to the sector to be able to access information that includes definitions for the language used when discussing Social Investment, including the various investment models like loans and equity. Ideally these definitions would include a contextual example to aid in breaking down the barriers in communication and shared understanding.

This extends to common language not exclusively associated with Social Investment, such as 'impact'. Many respondents felt their understanding of what impact meant for them as an organisation differed to an investor's definition therefore it would be good to reinforce where meanings or understandings might differ.

## Myth Busting

When answering early questions about understanding and awareness, a number of organisations indicated their opinion that their organisation is unsuitable for Social Investment. However, upon further questioning on organisation development plans and generation need, many then expressed interest in attending an event to learn more. This shows how it's important to continue to communicate with as many organisations as possible despite initial indications of reluctance where apparent, as much of the trepidation comes from an organisation making assumptions based on the little information they have.

Similarly, organisations with a smaller turnover felt unable to access substantial investment therefore felt the concept was entirely inappropriate for them. These organisations had not considered or been made aware of



opportunities to access investment as part of a coalition driven by shared missions and goals, or opportunities for smaller investment or debt finance arrangements.

Other organisations who indicated they felt they were not suitable to take on Social Investment, did so passionately and showed signs of being actively reluctant to learn more or entertain the notion based ultimately on fear of risk.

## Recommendations

Accessing the organisations that are resistant and disengaged is obviously a challenge, however it would be naïve not to recognise or appreciate the role they could have as ‘anti-ambassadors’ sharing their discouragements with peer organisations.

By providing definitions as previously recommended, hopefully fewer misconceptions and myths will exist. In addition to the definitions, sharing honest case studies that show true perspectives and share experiences of difficulties as well as successes would be well received by the sector. Especially, clarity around the implied risk and where liability lies was identified as key for a CEO or Business Development Manager to be able to make recommendations to their board of trustees with confidence.

## Learning

Whilst participants relayed that they would conduct a level of desk based research mostly online, not one person said they would attempt to make direct contact with an investor by phone or to arrange a meeting or visit.

The most referenced online source for information was the VONNE website as well as the various ebulletins VONNE share on a regular basis. Similarly, Northumberland County Council and Voluntary Community Social Enterprise (VCSE) local infrastructure organisations were recognised as established and trusted sources for knowledge and learning around Social Investment.

## Recommendations

As organisations generally already subscribe to networks and communication streams, it would be beneficial to link with them to advertise opportunities to learn more about Social Investment, and signpost links to the Key Fund website and additional impartial resources available on the Good Finance

website.<sup>1</sup> Good Finance's easy to understand animations and images are a useful starting point for understanding Social Investment opportunities.

Where informal networks or collectives exist within the sector, similar to the North Northumberland Village Halls Consortium who participated in this research, there is an opportunity to target leaders as potential ambassadors for Social Investment, acting as an intermediary information or advice providers for those whom they have existing relationships with.

The Key Fund's contact us section online invites organisations to get in touch for a conversation about Social Investment and making an application, however this could go further to encourage 'early stage' groups or organisations to get in touch for help or advice unconnected to an application.

### Geographical Barriers

Participants wanted Social Investors to better recognise the unique circumstances and behaviours of rural organisations and community groups. Northumberland is the least densely populated county in England, with only 62 people per square kilometre meaning outputs are comparatively lower to those in densely populated urban areas. Everyone taking part in the survey felt passionately that their outputs and impact on the beneficiaries in rural communities shouldn't be seen as less important simply because of the scale and reach is smaller in terms of number of people involved.

In terms of size, Northumberland is the fifth largest county in the UK covering 4716.3 km<sup>2</sup> which means travelling across the region with ease is a challenge, not least because of a lack of reliable transport infrastructure but also the amount of time required to do so.

### Recommendations

Approaching Northumberland County Council and VCSE local infrastructure support agencies to tap in to their local knowledge for an overview of general themes or issues would help Key Fund better understand and appreciate the state of the VCSE sector in the county.

Online resources are more easily accessible for groups struggling to travel in order to attend information sessions or training. Allowing individuals to attend events virtually via skype or as part of a webinar would make a huge difference.

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<sup>1</sup> <https://www.goodfinance.org.uk/>

An added benefit to hosting events or training online and sharing the content on an extended basis as a downloadable video or podcast would be the ability for people to then access the information in their own time, as often as needed.

## **Appetite**

A number of participants shared that they first heard about Social Investment some time ago at which stage they were dubious or intimidated, but as the concept becomes more familiar and common place in charity finance discourse their confidence in it has grown.

This said, the higher levels of understanding belonged to more established organisations who have been able to spend an extended period of time learning and observing which isn't the case for newer enterprises and organisations.

## **Recommendations**

Raising the profile of the many and varied options that make up Social Investment would aid in the myth busting mission mentioned previously, as well as highlight adaptability so as to nurture an appetite in investment.

Working flexibly to tailor provision around particular organisational need is something participants were particularly keen to see. They would like a relationship with a Social Investor to be supportive throughout and not only at the early interest stage.

By giving organisations an opportunity to learn by doing and experiment by taking on small investments and scaling up over time would reassure recipients around concerns about risk.

## **Summary**

Despite identifying challenges around language barriers; myths and misconceptions; access to learning and geographical barriers, there is none the less an apparently unmet appetite for more information and engagement with Social Investment amongst small and medium sized organisations in Northumberland.

As the regional support body for the North East Voluntary, Community and Social Enterprise (VCSE) Sector, VONNE would be keen to continue to support Key Fund on an ongoing basis with implementing a strategy and approach for working with and supporting organisation in more rural areas.

# Appendix A

## Connect Fund Questionnaire

### PART 1: General information on organisation

**Name of Organisation:**

**Location:**

**Area of operation:**

**Rural/ urban/both?**

**Turnover?:** Under £50K    £50-500K    £500K- £1M    £1M+

**Contact Details:**

**Name:**

**Tel.**

**Email address:**

**Are you happy for us to share your contact details with Key Fund who may wish to follow up on this conversation?**    Yes                  No

### PART TWO: Social Investment Questions

**1. How confident are you about your understanding of the term social investment? – sliding scale answer 1-10**

**2. Would you like to provide a comment?**

**3. Do you know where you might find good, reliable information about social investment?**

Yes    No

**If Yes, where?**

**4. How informed do you feel about loans, in the context of loans to social organisations? – sliding scale answer 1-10**

**Would you like to provide a comment?**

**5. How informed do you feel about equity (including community shares)? –sliding scale answer 1-10**

**Would you like to provide a comment?**

**6. Do you feel that you face any barriers in learning more about social investment?**

Yes No

**What are they?**

**7. Have you ever worked with a social investor? If so, who?**

Yes No

**Who?**

**8. Do you think geography plays a negative role in accessing the support you need? If so, how?**

**9. How much finance will you need over the next 12 months?**

**(i.e. how much additional income do they need to raise to plug any current gaps in their budgets?)**

**10. Do you have any Organisation or Business Development plans for the next 12 months e.g. developing a new service or income generation scheme, purchasing capital equipment or buildings or bidding for new contracts?**

**If yes, what?**

**11. Which of the following would you consider applying for to meet this need income gap/ business development plans?**

Loan, grant, equity, reserves

**12. If you think social investment isn't relevant to you, what would need to change to make it relevant?**

*Some prompts:*

Need greater understanding of how social investment could help us

Need to develop trading income to have funds to repay a loan

Need trustees to get on board with loan finance

Better interest rates