

# SOCIAL INVESTMENT IN RURAL COMMUNITIES

Focus on Lincolnshire



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



# Introduction

Key Fund commissioned Lincolnshire Community Foundation to investigate understanding of and appetite for investment within Lincolnshire’s voluntary, community and social enterprise sector. Key Fund felt that it was important to engage an independent third party to undertake the interviews in order to avoid influencing responses with existing perceptions of demand.

The findings will help inform Key Fund’s strategy in rural areas and the creation of market development and investment tools to be shared across the social investment landscape.

## Methodology

Throughout April and May 2018 LCF carried out a series of 10-20 minute telephone and face to face interviews with 20 Voluntary Community and Social Enterprise Sector organisations. The survey questions used are listed in Appendix A and reflect the structure used for parallel exercises in Northumberland and Cumbria.

## Acknowledgements

This report would not have been possible were it not for the time and insights shared by all survey participants.

<b>Contents</b>	
Introduction .....	1
<b>Methodology</b> .....	1
<b>Acknowledgements</b> .....	1
Research participants map .....	1
Survey data & analysis .....	2
<b>Organisation overview</b> .....	2
<b>Confidence and understanding of Social Investment</b> .....	3
Conclusions and recommendations.....	6
<b>Language</b> .....	6
<b>Myth Busting</b> .....	6
<b>Learning</b> .....	6
<b>Geographical Barriers</b> .....	6
<b>Recommendations</b> .....	8
<b>Summary</b> .....	8
Appendix A.....	8

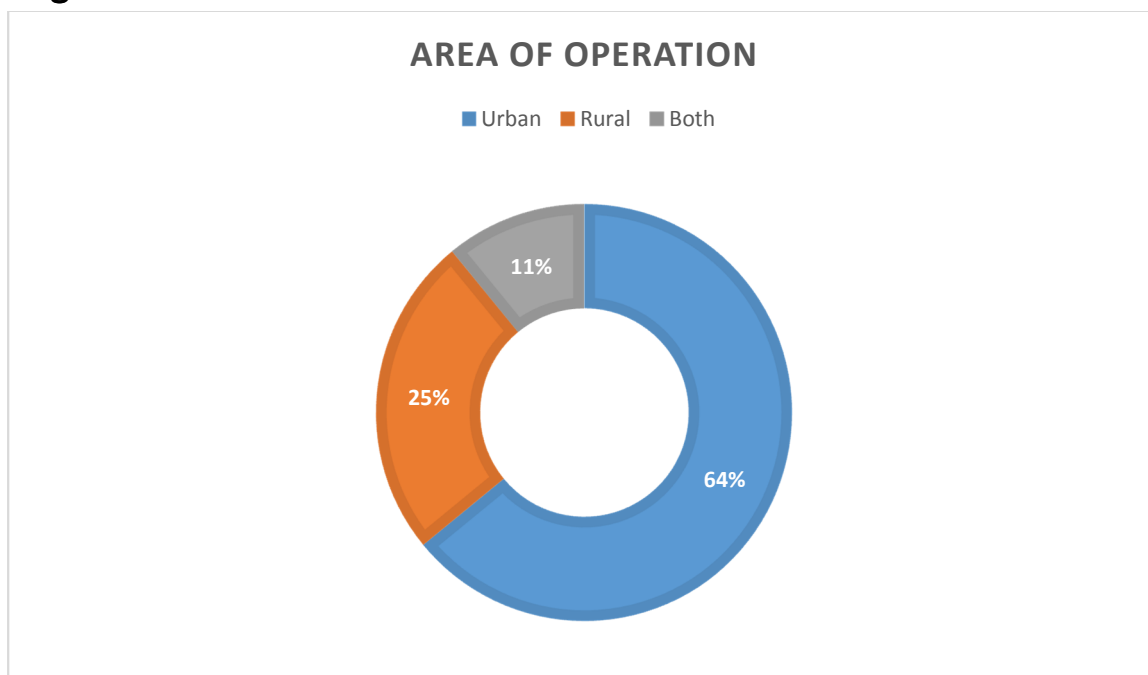
## Research participants map

1. Lincoln ADHD Support Group
2. Alive Church Grantham
3. Bridge Church Lincoln
4. CARE NE Lincolnshire
5. Centrepoint Outreach Boston
6. Christ Church Stamford
7. Crosby Community Association
8. Crosby One Centre
9. Desire Change CIC
10. Foresight
11. Fresh Start
12. Frodingham PCC
13. Harbour Place
14. Inspiring Family Solutions CIC
15. Jubilee Centre Grantham
16. Lincoln Community  
Development Worker Project
17. St. Swithins
18. The Forge Project
19. Worth Unlimited
20. YMCA Humber

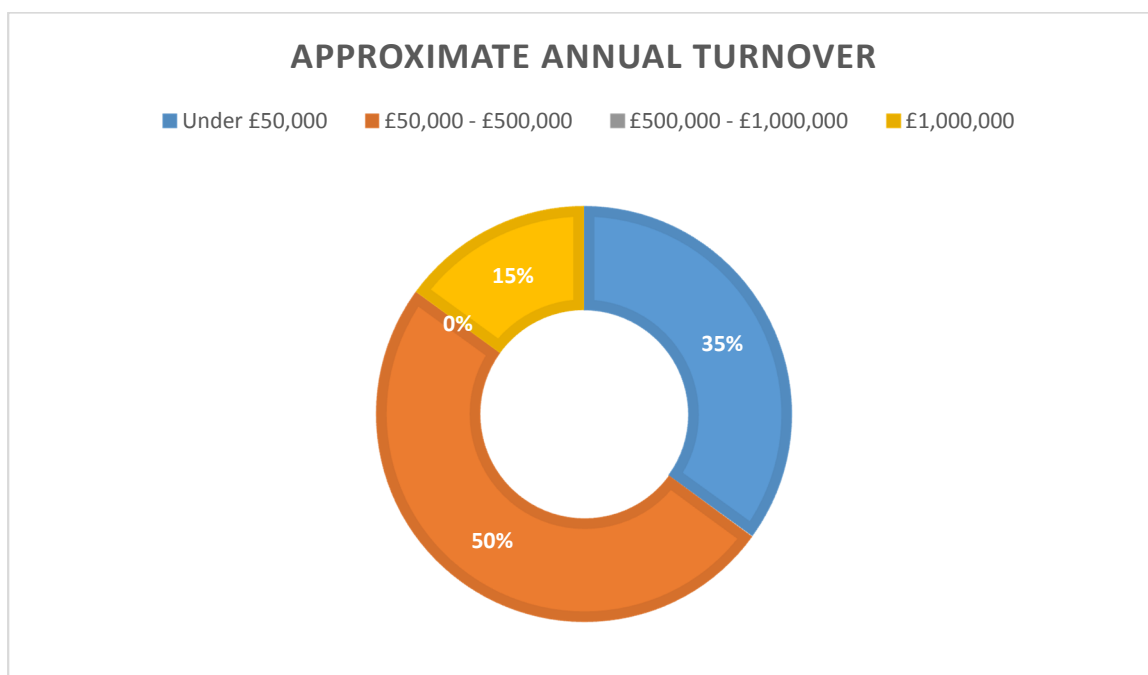


# Survey data & analysis

## Organisation overview

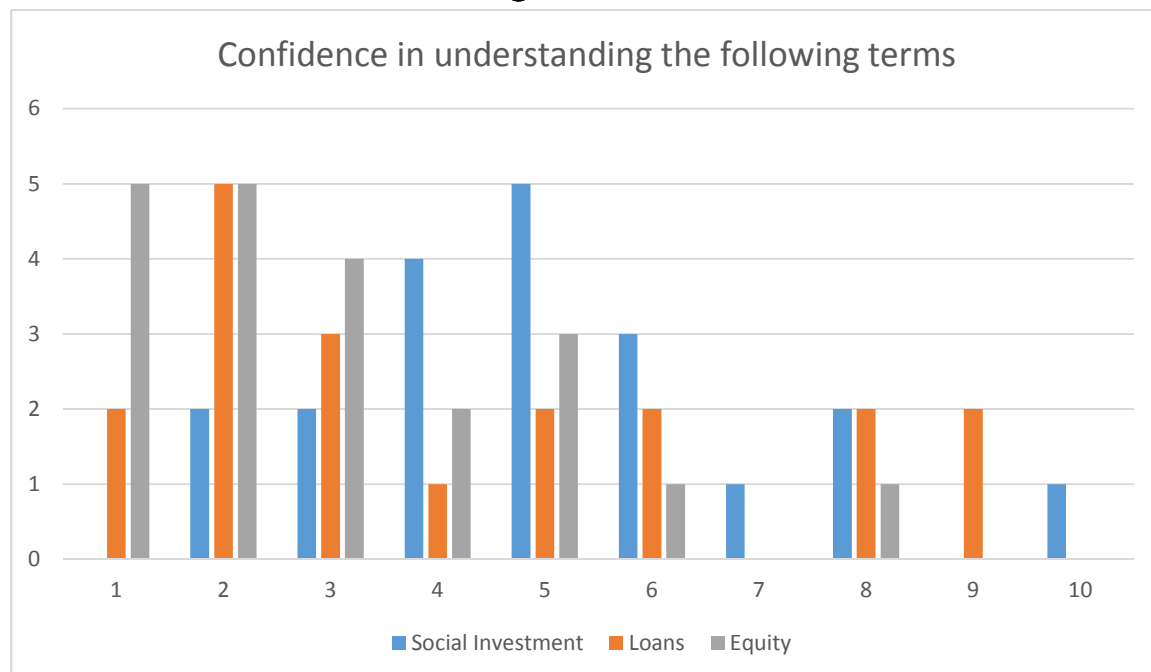


Most organisations surveyed work across a **urban** landscape reflecting population centres.



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



There was varied feedback from respondents, most feeling **fairly confident in their understanding of social investment** overall, but **less confident about the concepts of loans and equity**.

**40%** of organisations surveyed felt they faced barriers to learning more about Social Investment.

“The main barrier is time. With many charity staff being volunteers or part time workers”

“Lincoln does tend to be neglected as funding is centred on bigger cities”

“Geography has an impact on funding for smaller groups”

90% of organisations surveyed have no experience of working with a social investor. The remaining 10% named Key Fund, Charity Bank, CAF Bank and Pilot Light as the Social Investors with which they'd worked.

65% of organisations surveyed felt geography plays a negative role in them accessing the support they need.

"The group feels there are issues as funding distribution does not appear to be equal across the country"

"Lincolnshire does seem to be neglected as funding is centred on bigger cities"

"Funding and training do not get rolled out to the shires"

80% of organisations surveyed have organisation or business development plans for the next 12 months, ranging from building renovations to developing new services.

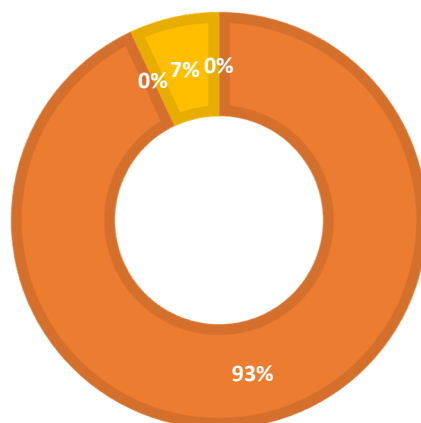
“In the process of applying for Reach funding to get themselves ready for the future”

“The organisation would be looking for around £150k during the next year for expansion of project work”

“The group would like to raise up to £30k”

#### LIKELY SOURCES TO FUND BUSINESS DEVELOPMENT

■ Loan ■ Grant ■ Equity ■ Blend



The majority of organisations surveyed would look to resource business development plans by applying for grant funding, with none being willing to use reserves. Only **25% of participants had ever considered applying for a loan** for their organisation, **just 7% were actively considering a blend of loan and grant.**

# Conclusions and recommendations

## Language

Respondents largely recognised the overarching term of Social Investment although few expressed detailed knowledge. Not surprisingly there was also less familiarity with equity as a tool for investment.

The need for support was common among most respondents and a number suggested that their trustees would either be uncomfortable with borrowing, or would need to examine it very carefully before considering loans as an option.

## Myth Busting

Several organisations highlighted that Lincolnshire did not get a fair share of national resources. This certainly true for the rural heart of the county and for North Lincolnshire. However, North East Lincolnshire has done reasonably well.

The levels of confidence shown in an understanding of social investment was not necessarily reflected in the levels of understanding expressed about loans and equity. This may be an issue of language, but it also points to a gap in knowledge.

Similarly to the survey in Northumberland, 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.

## Learning

The most referenced sources of information were North Bank Forum, VANEL and Lincolnshire Community Foundation. Two of these organisations only serve the same small part of the county, one which has traditionally done relatively well for funding. The rest of the county is much less well serviced.

## Geographical Barriers

Rural areas with poor transport links, smaller population centres and often hidden deprivation have traditionally struggled to attract investment in proportion to their need.



In terms of size, Lincolnshire is the second largest county in the UK covering 6959 km<sup>2</sup>, but with a population of only 1.08m. Transport links are poorly developed, mainly A roads and B roads, with a small incursion of motorway in the North of the county. There is limited rail interconnectivity.

## Recommendations

We should ensure that local infrastructure organisations are connected to Good Finance and Big Society Capital who produce good quality, easily understood information. The same is true for local authority advisors.

Funders and infrastructure organisations such as Connect the Dots should work more closely together around events and online publications. Funders should also discuss shared approaches to investment where practical.

Blended finance is an ideal way to help the transition from grant to debt finance.

Simple, accessible information on social investment, with clear definitions of terms would be useful. Where possible they should be backed up by, ideally local, case studies to create context and relevance.

Helping local infrastructure organisations to build links with national bodies such as Big Society Capital, would be valuable. They also need to be properly informed, to help them support their members in turn.

Working with organisations that do not see the relevance of social investment is difficult. This may remain the case, but it might also be an issue of timing. Therefore, it is important that information and guidance remains available.

Responses have shown that local infrastructure has real capacity challenges. Whilst we should continue to work with that infrastructure as important local partners, we must also ensure that national support providers are informed, accessible and on the radar of local organisations.

Perceptions of risk and the appropriateness of loan will be genuine to some extent, debt is not right for all groups and equity is unavailable as an option to many. However, considered decisions cannot be taken without good quality information and the tools to use that information. We are in a position to address these matters

## Recommendations

Lincolnshire has county, district, town and parish councils, all with different responsibilities. Working with all local authorities can be difficult, but identifying funding officers is recommended.

Local infrastructure organisations have very limited capacity to engage with their peers and undertake joint activity. The onus is probably on funders to build and maintain relationships.

It is possible to create a network of funders interested in the county, it may be easier to engage local infrastructure as a group and it will certainly be easier for local groups to engage with a funder's network rather than a range of individual funders.

## Summary

There is an unmet appetite for more information and engagement with Social Investment amongst small and medium sized organisations in Lincolnshire. There are organisations such as Sector Support and Lincolnshire Community Foundation fulfilling this role, but their capacity is limited and outside of the foundation, restricted to a district level.

# 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