Making financial power work for local places

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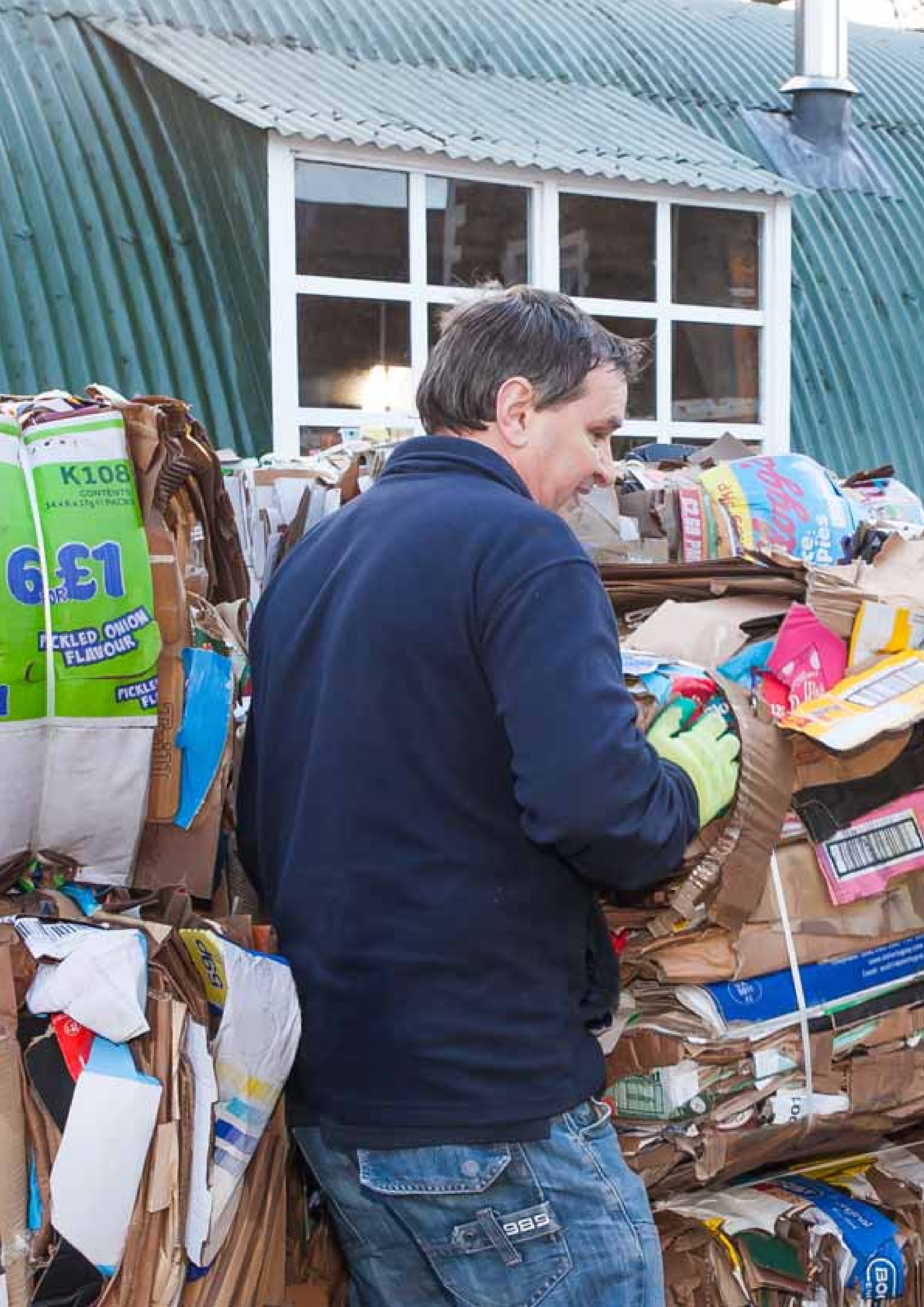
DTNI
Empowering Communities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Key messages

- There is a strong regional infrastructure in financial power, especially given the diversity and reach of the credit union movement, some innovation in social finance, and effective intermediaries that deliver funding, skills, and advocacy.
- Development trusts identified barriers to their capacity to grow, including financial planning skills, budget analysis, project management, and contract and investment readiness.
- There is also a lack of access to patient capital (soft loans with low interest rates, repayment holidays, and technical support) as well as large scale capital investments for social enterprises with growth potential.
- The analysis identified innovation in social finance, including within the sector itself. The Building Better Futures Fund, for example, was a partnership between the Belfast Charitable Society, Building Change Trust, and Ulster Community Investment Trust (now Community Finance Ireland) to create a blended debt and grant fund offering unsecured loans to social enterprises.
- There are a number of neighbourhoods where community wealth has been created and retained, especially where social enterprises reach scale to provide services, wages, and facilities, and recycle local spending.
- Participatory Budgeting has also been used to help democratise local spending and how communities can control the money that flows within their neighbourhoods.
- Community shares and bonds have made a significant impact in securing local ownership, providing capital, and leveraging mainstream grants and loans.
- There is also a need to use innovation to support specific aspects of community wealth, including building the next generation of social enterprises and how they can be better financed to have a meaningful effect on local economies.
- Priorities on the supply side include: making better use of existing financial levers and grant programmes, including at a UK level; strengthening the capacity of credit unions to lend more competitively with fairer capital rules; evaluating the proposal for a mutual bank; and diversifying the supply of social investment to meet the different needs of development trusts.
- On the demand side the priorities are: strengthening the investment and contract-readiness of social enterprises, and improving financial literacy and budgeting skills across communities and places.
- There is a need to support intermediaries, to further strengthen support for community shares and community bonds; scale successful participatory budgeting models; and develop a better understanding of local multiplier effects in deprived neighbourhoods, linked to consistent measures of social value.

Background

Finance, income, and generating surpluses are central to the development of the most deprived places and people. Money, on its own, cannot be understood without knowing how it is generated (in production, wages, lending, grants, social finance, and so on) and used (by social enterprises, co-operatives, community groups, private firms, and local people). The advantage of community wealth is that it takes a holistic approach to financial power and how it can impact on deprived communities, creates income for people at the social margins, and recycles resources within places to strengthen neighbourhood regeneration.

However, it is clear that in Northern Ireland, the social finance market, a critical method of making money work from a development trust perspective, lacks some of the supply and innovation seen in other countries and regions. Rose et al. (2021) point to the success of employee ownership and the role of impact capital in scaling such business models globally; yet this is not widely used locally. Similarly, Social Investment Scotland shows the impact that Community Investment Tax Relief has had on the capitalisation of a range of Community Development Finance Institutions (CDFIs), enabling different types of investment to flow into and build the economies of the poorest areas.

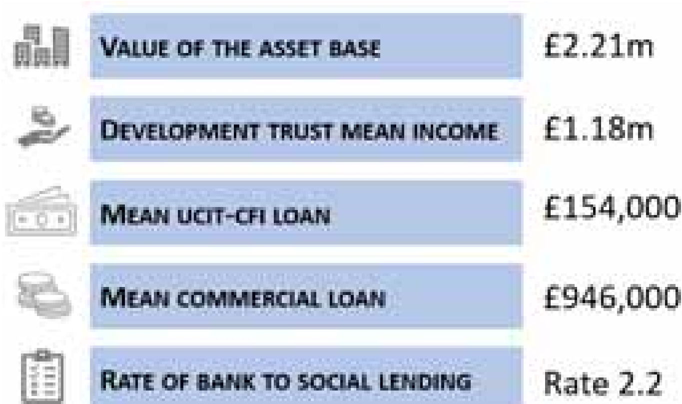
This technical advisory paper looks at how money and the supply of and demand for social finance can better support Community Wealth Building. It starts by identifying some of the barriers to making money work, but also the potential to understand, map, and enable local multiplier effects, not least via a progressive social finance environment. Credit unions are a strategic asset in that process, but so too are the investment- and contract-readiness skills to strengthen the demand side, as well as intermediaries to make the social finance market, in particular, work more effectively.

Making financial power work in local places

For development trusts, access to different forms of money and the skills to use them are critical. Nearly nine out of ten (89%) ranked the need to 'sustain and grow services' as a top three priority; nearly half (46%) felt they needed to 'strengthen their business focus'; and 38% want support to 'open up new business markets.' The DTNI survey also noted that development trusts find it difficult to accumulate reserves and unrestricted income, making it hard to grow; many feel they are not able to recover their full economic costs from grants (and even contracts); and that regulation and compliance was disproportionate to the value of investments.

However, the survey also shows (see below) that many social enterprises, even with collateral and cash reserves, are not willing to move to the next level, replicate successful models or move beyond the neighbourhood to generate a wider social impact. Historically, borrowing has been low, many large development trusts are under-leveraged, and there is limited appetite for risk, in part because of the way in which grant programmes are regulated. Moreover, development trusts are more than twice as likely to borrow from a private bank rather than a social finance provider.

Despite the asset base and strong income and profitability figures, borrowing remains relatively low. The survey showed that access to seed capital (70% of those surveyed) and revenue (58%) are barriers to social enterprises, so it is not just about an unwillingness to borrow against the assets of the company. Furthermore, support for market development (50%); business development skills (40%), and financial planning (28%) were priorities for trusts. Source: DTNI, Development Trust Survey, 2021.



Value of the asset base	£2.21m
Development trust mean income	£1.18m
Mean UCIT-CFI loan	£154,000
Mean commercial loan	£946,000
Rate of bank to social lending	Rate 2.2

The DTNI focus groups and thematic discussions also raised the need to make the finance market work more effectively in maximising both the supply (better use of credit union investments for example) and demand (by strengthening investment-readiness skills). On the **supply side,** respondents prioritised a number of issues:

- There are a range of instruments and capital resources that could be better used to support the development of the sector including the Northern Ireland Central Investment Fund for Charities, the local government pension scheme, and Financial Transactions Capital.
- The need to make the most of the credit union sector is considered in further detail below, especially to strengthen lending at more flexible rates.
- In addition, the Levelling Up Prospectus and the EU PEACE PLUS Programme 2021-27 offer significant opportunities to prioritise investment in local economies and community wealth, and connect grant and debt funding more carefully to support development trusts.
- One of the DTNI thematic seminars highlighted the potential of a mutual bank for Northern Ireland and extend the opportunities for ethical deposits and local lending, including to charities and social enterprises.
- Innovation is also needed, with a number advocating for the extended use of Community Municipal Bonds, which, again, emphasises the need to better connect with local government as well as practices in Britain.
- It was also pointed out that there had been important innovation with loan-grant hybrids, and unsecured and start-up lending created by the sector itself, rather than government, such as the Building Better Futures Fund.

Building Better Futures Fund was a £500,000 investment capitalised by Belfast Charitable Society in partnership with Building Change Trust and Ulster Community Investment Trust (now Community Finance Ireland) to create a blended loan and grant product that provided unsecured loans of up to £25,000 to voluntary groups, charities, and social enterprises. Between 2014 and 2019, £1,607,275 was invested in 90 projects. This consisted of £1,123,775m (70%) in loans and £484,000 (30%) in grants. Twenty-eight loans were made in North Belfast, which at £551,500 represented more than one-third (34%) of the total, and the penetration into the most segregated and deprived communities was also high. Thirty-eight grants (42%), worth £482,000 (30%), were in the top 20% most deprived wards. In terms of sectors, 18% was invested in community social enterprises; 22% in health; 21% in sport; 17% in heritage; 14% in early years and young people; and 8% in disability support.

On the **demand side** a number of consistent themes were prioritised:

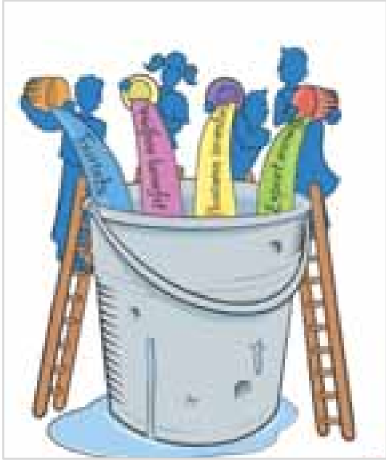
- The DTNI research revealed the need for particular lines of credit and grants including start-up capital, risk finance to try out new ideas, (equity) investment to diversify, and capital to enter new markets where entry barriers might be high (such as in wind energy).
- The analysis identified a persistent skills gap across the public and social enterprise sectors about the use of social finance; financial planning and how to manage repayments; understanding and mitigating risk; and mixed (grant and debt) funding models.
- There also needs to be better financial management skills among the general public, especially in economically deprived neighbourhoods characterised by limited cash resources.

There has been important investment in strengthening the financial resilience of social enterprises and community groups through the Dormant Accounts Fund NI, delivered by the National Lottery. Approximately £20m has built up over the past ten years and is being reinvested to support capacity-building and to increase sustainability in the Northern Ireland voluntary community and social enterprise sector. Up to £100,000 is available for individual organisations to enable them to adapt to future challenges, become more financially resilient, build their skills and capacity, support strategic planning, and support collaboration within and across sectors.

Local multiplier effects

A key objective of community wealth is to keep as much money in the local neighbourhood as possible. Local Multiplier 3 (LM3) was developed by the New Economics Foundation (NEF, 2008) as a way of measuring the local economic impact of a social enterprise or service, or simply by changing patterns of consumption. It is designed to help communities and social enterprises think about how local money flows, and how their organisation can improve its economic impact, as well as influence the public sector to consider the effects of its procurement decisions.

LM3 measures how income entering the local economy circulates within it, across three rounds of spending. If money leaks out of the economy, it fails to impact on local shops, services, and employment, and instead, benefits external businesses and the profits of larger corporations. It was developed from the idea of the 'leaky bucket,' as the economic multiplier effect describes the impact that spending has in the economy, taking into consideration knock-on effects. A higher proportion of money re-spent in the local economy means a higher multiplier effect because more income is generated for local people. More income retained locally means more jobs, higher pay, and better services, all of which can lead to better living standards. Source: Based on NEF, 2008.



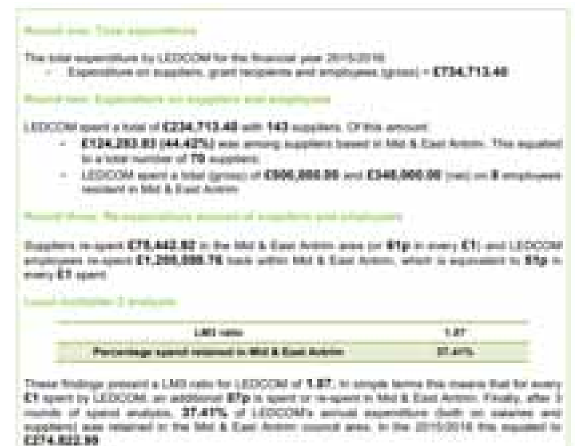
Of course, all sorts of economic activity create local effects by having a direct effect on specific place communities, with some stronger than others and some more locally embedded. For example, What Works Centre for Local Economic Growth (n.d., p.5), reviewed a number of evaluations to understand the impact of employment creation on the local economy. The table below shows that a job created in a tradable sector of the economy (that is the output of goods and services that are traded internationally) creates an additional 0.90 additional jobs in the non-tradable sector (such as local shops and restaurants). Skilled jobs, and jobs in high-tech industries, generate larger multipliers, so, for example, each high-skilled job creates an average of 2.55 jobs in the non-tradable sector.

Shock in:	Tradable	Tradable	High tech tradable	High skilled tradable	Public sector
Effect on:	Non-tradable	Tradable	Non-tradable	Non-tradable	Private sector
Mean	0.90	0.41	1.88	2.55	0.25
Min	0.13	0.26	0.70	2.15	-0.74
Max	1.60	0.64	4.90	3.00	1.30

Source: Based on WWCfLEG, n.d. p.5.

This is why it is important to develop high-skilled jobs in advanced sectors of the labour market, and also explains why low economic activity, wage levels, and mobility often characterise the most deprived neighbourhoods (See TAP 3 on Just Labour Markets). However, it would be wrong to suggest that non-tradable economic activity, often characterised by the social economy, has a limited effect, especially locally. For example, TAP 2 , 'The Plural Economy,' suggested that there is a proto cluster of social enterprises in east Antrim that operates as a loose network rather than a well-integrated sector, but has the potential to build interdependencies and supply chains, and share risks. LEDCOM enterprise centre provides technical support to social enterprises; Access Employment Ltd (AEL) has an integrated programme of employment and bottled water production; and more recently, Larne FC has developed a mix of training, facilities, and outreach services from the club. As the analysis below shows, sports clubs including soccer clubs, amateur teams (see share offer for Ballymacash Sports Academy), and Gaelic Athletic Clubs are at the social, physical, and economic heart of many communities. Their role as a driver of community wealth, pooling finance and building a local asset base, cannot be underestimated. But in Larne, the social economy is also integrated into the private sector with Kilwaughter Minerals using Social Investment Tax Relief to support a range of charities and social enterprises, including AEL.

Social enterprises create different types of economic flows in local areas by recycling more of the money spent in wages, suppliers, investments, and so on. A 3LM of LEDCOM showed that supplier spend had strong impacts on the local economy, so that by Round 3 they respent 61p out of every £1.00 in Mid and East Antrim. When added to salary spend, this produced an overall local multiplier of £1 to £1.87. The more social enterprises scale up, trade with each other, and share resources, the greater the impact on neighbourhood wealth.



This is different than the multiplier effects created by high-value jobs, but they are significant, and more information is needed on why some sectors of the social economy can create higher effects than others; why some neighbourhoods are better at retaining wealth, and importantly, how social enterprises can work with each other to strengthen supply chains and traded interdependencies. The table below summarises the Local Multiplier Analysis from four social enterprises, and shows that while their impacts vary, they all generate cash, salaries, and spending in local private and social firms, that tends to stay within the neighbourhood economy. Understanding where leakage is high and how social enterprises can plug the leaks, again, emphasises the need for a strategic approach to the development of sectoral and area-based interventions.

Social enterprise	3LM leverage per £1 invested
LEDCOM Larne	£1 to £1.87p
Ashton Belfast	£1 to £1.63p
AEL Larne	£1 to £1.80p
Crusaders FC Belfast	£1 to £0.73p

Social finance supply

It should be emphasised that Community Finance Ireland (formerly Ulster Community Investment Trust) has opened as a dedicated social finance provider, supported by Department for Communities in Northern Ireland. UCIT was established in 1995 to provide social finance, free advice, business support, and mentoring to the social economy sector in both Northern Ireland and the Republic of Ireland. It aimed to provide access to loan finance at a time when public spending cuts were impacting on the sector, and where charities and social enterprises had difficulty accessing mainstream (and especially unsecured) borrowing. Since 2016, CFI has worked with 230 clients in Ulster and Northern Ireland, and in that time has distributed 350 loans to the value of £24.2m. They are especially active in arts, heritage, childcare, and community services, but have a strong portfolio in enterprise, training, and education. More recently, CFI has worked with Social Enterprise NI and the Department for Communities to co-design and administer the Covid-19 Social Enterprise Grant Scheme, which provided £9.1m to 315 organisations across Northern Ireland.

The central importance of this infrastructure, as along with the credit union network, cannot be underestimated as a building block for making financial power work, as well as generating community wealth, more broadly. However, there was an appetite from some development trusts for more specialist forms of finance (such as blending grant and debt), as well as access to UK-based funds. CAF Venturesome (below) offers a mix of technical support, grants, and loans, particularly to help start-up development trusts who lack a steady income stream, reserves, or collateral against which to borrow. They had only one client in Northern Ireland, and better access to such funds, as well as tailoring regional services to the needs of local development trusts, is clearly an area for development.

CAF Venturesome offers a range of social finance packages including blended (loan and grant) funds, technical assistance, and more complex debt products to social enterprises. Between 2002 and 2021, they funded 583 investments in the UK and worldwide, although only one project was in Northern Ireland, and use of national social finance has traditionally been weak, as the DTNI survey confirmed. The loan products approach, especially in unsecured lending and start-up packages, is important in the context of the nature of demand from the region. They offer graded finance including:

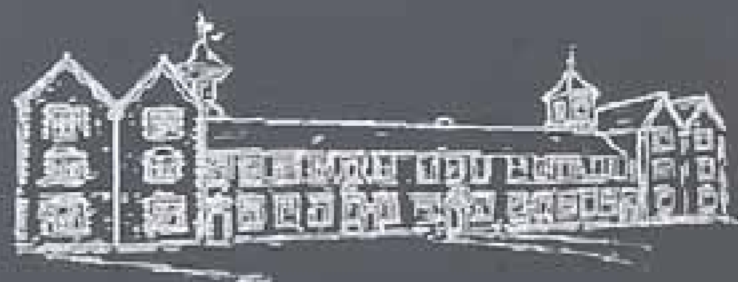
Development Fund loans from £25,000 to £400,000, for up to 10 years, and, in some cases, packaged with a grant alongside the loan (especially to support recovery from Covid-19). This aims to build the capacity of high-impact social organisations, and includes unsecured and secured loans, blended finance packages (part loan / part grant), charity bonds, social impact bonds, and quasi equity.

The Community Led Housing Fund offers loans and grants from £20,000 to £400,000+ to build affordable homes in the community. This takes a staged development approach, matching the finance with technical support at each part of the process:

1. Pre-development: loan finance of up to £150,000, with up to £50,000 additional grant support; standby facilities of up to £150,000 to raise community shares or act as a bridging loan;
2. Build stage: as junior lender loan finance of up to £400,000 for construction costs (second charge after senior lender);
3. Land purchase (pre-build stage): a pilot land purchase facility of up to £400,000. Unsecured loan, with up to £100k grant support (grant repayable if the scheme does not progress); and
4. Live stage: standby facilities / bridging loans of up to £100,000.

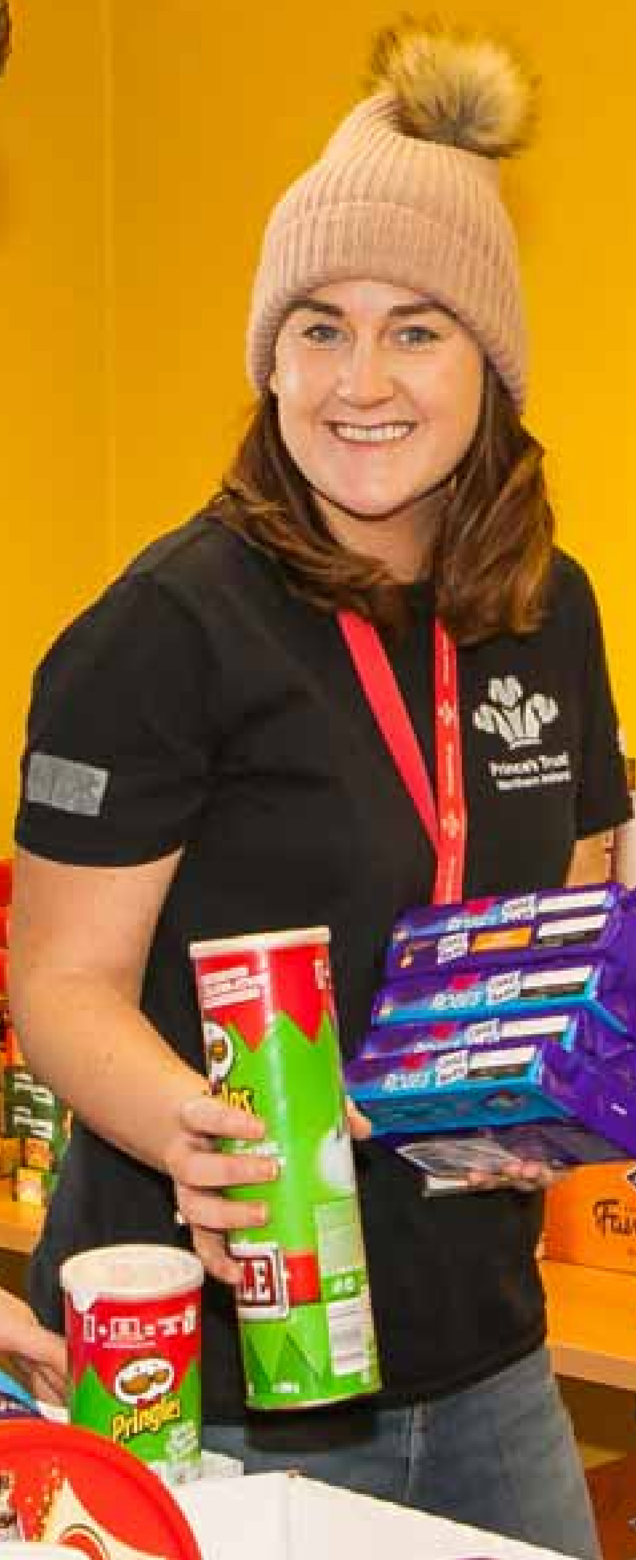
The place-based **SE-Assist Fund** works with businesses, the community, and the public sector to help early-stage social enterprises with interest-free loans of up to £30,000. In Wales, the SE-Assist Wales Fund offers blended finance packages (part 0% loan / part grant), but also provides expert mentoring, financial planning, and business advice.

Source: based on: CAF Venturesome, 2018.


Welcome to
Limavady
Community
Development
Initiative
(LCDI)

In this respect, there is a need to look more carefully at what has been working across Britain and Ireland as well as internationally. For example, Archer et al. (2019) reviewed funding options for Community Land Trusts (CLT) in the UK, focusing on community housing. The CLT Fund has provided £4.4m of pre-development and development finance since 2008, including 57 investments in CLT housing schemes, which has in turn constructed 105 units (with an additional 419 in the pipeline). The loans are made at risk and only repaid when a project starts on site. A total of 80% have been repaid back into the revolving funds, and write-offs at 13% are lower than the 16% expected. This is important for a number of reasons. First, it connects funding with the initiative to support locally owned economic development using both grant and loan; second, it finances start-up without expecting loans to be returned during the incubation phase; and third, the scheme has a low default rate despite the evident risk. There is little point in a policy around asset transfer, social enterprise development, or making financial power work without a structured investment regime to help implement it in practice.

It is also clear that finance, including grant programmes (such as Levelling Up), social investment, and financial instruments (including Financial Transactions Capital), needs to be better co-ordinated and spatially integrated to maximise its impact. A number of development trusts have been frustrated by drawing down partial grants or loans but not the full financial package needed to deliver a sustainable project. Brokerage to better manage such support suggests the need for intermediaries, as advocated by Responsible Finance (2017) through Local Financial Partnerships. These are designed to understand local needs and service gaps, consolidate operating costs across lenders and grant makers, and provide a range of financial and technical supports. An analysis of how money works across the neighbourhood, where there is leakage, and where such gaps might be addressed should, in theory, help prioritise and pool investment from a range of providers. But these need to be managed at a local level, and be closely connected with area-based regeneration strategies and, in particular, implementation programmes. The previous UK government's proposal for a total place framework is still important to look at while the Department works through the detail of a Community Wealth Building strategy and how it might be implemented.



Rethinking money

It is also important that a full range of financial and fiscal options are examined to strengthen local social economies, community businesses, and scaling-up processes. Bugg-Levine et al. (2012) show the increasing complexity of the enabling environment, and there is potential to explore alternative supply, financial engineering, and how to better integrate the marketplace in Northern Ireland. They look at, for example:

- Loan guarantee schemes such as those from the Bill and Melinda Gates Foundation, which increasingly issues loan guarantees, rather than direct funds.
- Quasi equity debt security, which is particularly useful for enterprises that are legally structured as non-profits, and therefore cannot obtain equity capital, particularly where they need start-up investment. Here, the security holder does not have a direct claim on the governance and ownership of the enterprise, but benefits from any return, raising ethical considerations for social enterprises as they aim to develop their services and market reach.
- Bridges Ventures is a private fund that invests in a range of sectors aligned with the Sustainable Development Goals, and specifically in social enterprises capable of growing to the next level. Access to both national and private equity funds carries risks for individual social enterprises and for the sector, in terms of its ethics and how surpluses are used (to benefit either communities or investors).
- Community Municipal Investments (CMIs) are new green bonds issued by a local authority and administered by the crowdfunding platform Abundance Investment. Local residents and general public investors purchase the bonds, directing investor capital immediately towards the delivery of local net zero infrastructure projects. Davis (2021) evaluated the UK's first two CMIs, which were launched as Climate Bonds by West Berkshire Council and Warrington Borough Council in 2020. Each met their £1m target ahead of the closing date, and the evaluation demonstrated the scalability of CMIs as a simple, low-risk mechanism for diversifying borrowing sources and boosting non-repayable capital for local authorities.

The point here is that there are a range of options that can make money work in more inclusive ways, and maximising the potential of social finance is one way of delivering a more progressive community wealth agenda. It has been some time since Building Change Trust (BCT, 2012) pointed to a significant lag in social investment (both supply and demand) in Northern Ireland. At that time, they highlighted the potential of Social Impact Bonds that provide financial rewards to social enterprises who achieve defined outcomes on a range of social problems, such as recidivism rates. Few such schemes have been delivered, partly because of capacity in Northern Ireland, a lack of motivation in the public sector, and weak skills, but it again highlights the need to look at how the money side of community wealth works in practice.

Credit unions and making local money work

The credit union sector is one of the most advanced in Europe and offers an extensive infrastructure to address poverty, keep money local, and strengthen financial literacy. Ward and O'Kane (2021) point out that there are 146 credit unions in Northern Ireland, with 592,171 adult member accounts, and 104,906 juvenile deposit accounts. There are two main networks, with the Ulster Federation of Credit Unions emerging in the 1990s and now representing 38 affiliated organisations.

The Irish league of Credit Unions (ILCU) has 88 organisational members that have a facility in 104 locations across urban and rural areas in Northern Ireland. They currently employ 823 full-time and part-time staff, generating a total salary of £10m per annum, and have 535,000 members, with 1 in 3 people in Northern Ireland owning a credit union account. The ICLU has assets of £1.78 billion, savings of £1.55 billion, and total loans valued at £540m. McKillop and Quinn (2017) point out that they are subject to a new and more costly regulatory environment, but that their potential to strengthen local economic development has been restricted by the lack of a more flexible business model and the loan interest cap. The ICLU manifesto is set out below and describes a realisable agenda for change, to release the financial power of the credit unions in a transformative way for socially disadvantaged areas, development trusts, and the credit union sector itself.

COMMUNITY WEALTH BUILDING

- Support for investment, and lending for social purposes/partnerships with local authorities and other stakeholders, helping to address pressing social needs.
- Filling the void left behind by banks and improving access to community financial services.
- We will be playing our part to support economic recovery after Covid-19 and are offering our expertise to those charged with implementing the government recovery plan.

MAKING CREDIT UNIONS FIT FOR PURPOSE FOR THE NEXT 60 YEARS

- Updating legislation and regulatory rules to reflect a changing landscape and enable us to fulfil our mission in a new age; refreshing and renewing our offerings to meet new and emerging demands on our services.
- Fairer regulatory capital rule which reflects risk, allowing us to invest more and to support community wealth-building.
- Support for new digital platforms and services to reflect changing consumer needs.

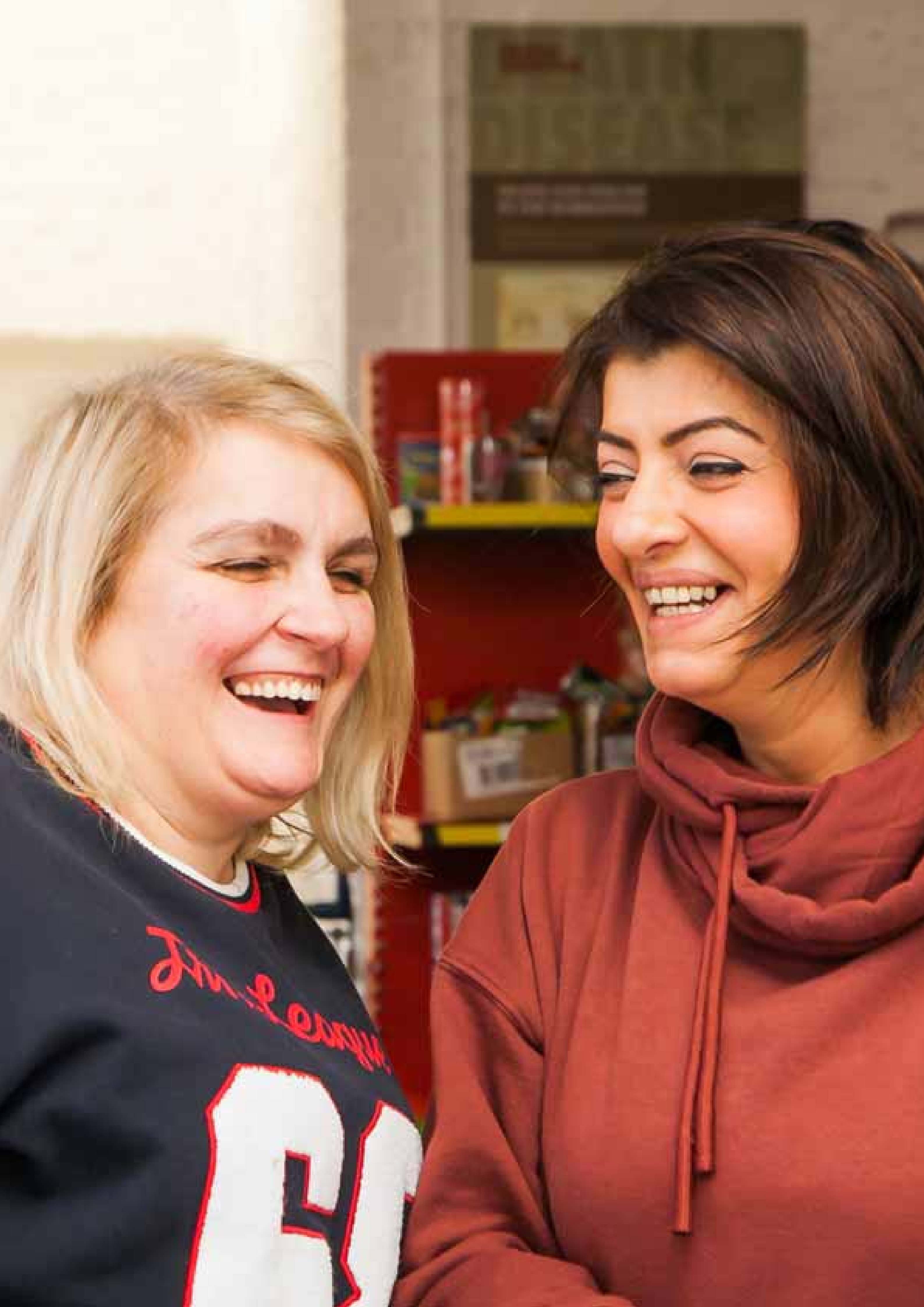
FINANCIAL WELLBEING

- Combatting financial exclusion, and helping individuals manage their finances.
- Continuing to offer fair and affordable credit to all.
- Building payroll partnerships with the public and private sectors.
- Building financial literacy and education.

The ICLU points out that a high proportion of member funds are held in short-term investments when they could be used to support a range of social projects that matter to local people. To do this, the regulator (Prudential Regulatory Authority) would need to permit such investments, supported by the infrastructure to protect members' savings. ILCU estimates that approximately £100m could be used to support social projects that include housing and local authority economic development work. The potential to grow such investment into the social enterprise sector is clearly an area where political leadership in the NI Executive is needed, working alongside credit unions and representative networks. The manifesto sets out a series of integrated recommendations, including the need to change capital rules to better reflect risk, especially compared to commercial institutions, with the focus on maximising the social, environmental, and economic impact on communities.

Financial literacy, and developing the skills to manage money, understand budgets, and avoid punitive debt is also critical. The ILCU has developed Age-Appropriate Financial Education for Children that improves financial literacy across the early life-course, building competence and skills as young people take further control of their spending and saving. For example, Start Money Smart is aimed at teachers and parents of children at primary school, and looks at money and maths, earning money, budgeting, spending and saving, impulse buying versus investing, and financial literacy. This also relates to the extent to which local communities can collectively control and prioritise spending within their area, and experimentation with participatory budgeting has demonstrated their potential to rethink local money and how it works in the interests of people.

Participatory Budgeting is a process in which local people decide how to allocate all or part of a public budget. It can be used to allocate a specific pot of money or mainstream government expenditure. Participants (from an area, project or service) get to vote on where actual funding should be allocated against the merits of each priority. Community Places managed the pilot PB Works initiative in Northern Ireland, with a total project budget of £50,000, the first phase running from December 2017 to November 2018. PB Works organised awareness raising events and training workshops, and established a regional advisory group. Whilst the scheme involved a comparatively modest investment over a short time period, it did have an important demonstrator effect on the budgets of participating statutory agencies and voluntary sector organisations. This included £14,000 from a PB event hosted by Newry Mourne and Down District Council; £3,500 via the Policing and Community Safety Partnership in Fermanagh and Omagh; £1,000 from a community scheme in Rathlin; and £3,000 in Antrim and Newtownabbey council on youth action and engagement.



Community Shares

Community shares enable project start-ups, and give local people a meaningful stake in the development and ownership of the profits or dividend generated. The capacity of people from socially deprived neighbourhoods to afford such lending is of course limited, but they have worked across neighbourhoods, sectors, and beneficiary groups. A community share issue is an offer for shares by a co-operative or Industrial and Provident Society (IPS), whilst bond issues or loan stock issues are offers to several people to lend money to an organisation on similar terms for several years. No matter how many shares an individual purchases, they still have only one vote in the society. Investors have to become members of the IPS, and the conditions of their investment will normally be presented in an invitation to invest. This will include an outline of the business case, the dividend the investor can expect, the risk in the investment, and the terms on which they can withdraw their money.

Community shares carry limited rights to withdraw, but are transferable, and dividends are only paid out if there is a profit. The main difference between a share and a bond issue is that, in the latter case, there is a commitment to repay the amount invested after a number of years. This might make it easier to raise the capital, but the business case needs to ensure the debt can be repaid without affecting the commercial viability of the project. Cooperative Alternatives has led in the design and delivery of community shares, provides detailed technical support, and works intensively with a range of groups to set up, sustain, and manage schemes. There is also good practice locally, and Cooperative Alternatives describes, below, a range of examples that vary in scale, with between £40,000 to £1.5m share capital raised.

- **Ballymacash Sports Academy, Lisburn** organised a community share scheme that raised £112,540 in 2018 from over 300 investors, at £50 per share, and in July 2020, a new £1.5 million sports centre was opened in the heart of the community. The facility offers neighbourhood services and sports facilities, and aims to establish connections between schools, sports clubs, and the wider community. It also aims to improve both physical and mental health, create job opportunities, and contribute to the physical development of the area. Even the most disadvantaged communities can generate sufficient capital to leverage larger grant investment for major regeneration schemes.
- **Boundary Cooperative Brewery Belfast** offered the public the chance to own a stake in the business, and within eight days in 2014, the community share had raised £100,000 involving 447 members in the co-operative. Boundary began trading in January 2015 in the Portview Trade Centre in east Belfast, and issued a second offer raising over £160,000 through 1,400 members. The company has a strong social mission, and invests in a local foodbank that rewards donors with beer coupons, and offers the tap rooms for community organisations, especially for fund raising.
- **Lacada Cooperative Brewery Portrush** is structured as an IPS and has grown steadily since 2015, especially via online sales. The first share offer involved around 400 investors, but in 2019 they started a three-year expansion plan, hoping to raise £250,000, mainly to relocate to new premises and increase production capacity. The example shows how community shares are critical to the scaling up and recapitalisation of social enterprises, and is not just for community-based start-ups.
- **The Northern Ireland Community Energy (NICE)** co-operative is the region's first community owned renewable wind producer, established in December 2014. The co-operative has over 110 members, and 70% are Northern Ireland residents. NICE has a strong community governance structure and is managed by volunteers with the necessary blend of expertise in energy, finance, renewables, and local development. Part of their community fund is reinvested in future projects, and the organisation now aims to diversify into solar power.
- **Down to Earth NI** is a community-led, environmentally aware burial project that was launched through a share offer to establish Northern Ireland's first woodland burial site. The co-operative aims to raise an initial capital fund of £40,000, with minimum share investments starting at £800. It stresses its ecological ethics in a highly sensitive arena, avoiding the use of non-environmentally friendly and toxic embalming materials, such as formaldehyde.

Source: https://www.coopalternatives.coop/community-shares/case-studies/.

Investment and contract-readiness

The BCT (2012) review of social finance also highlighted the need to build the financial and commercial capability in the third sector. This included the need to 'provide introductory financial management, commercialisation, and investment-readiness training and support for smaller scale third sector organisations; and develop a social finance pathway to segment development stages and products within an integrated approach' (BCT, 2012, p.17). Investment and contract-readiness emerges periodically as an issue, and development trusts do see the need for improved skills across financial planning, utilities management, and competing for procurement contracts.

DfC (2016) has led on investment-readiness and developed a toolkit to support community and voluntary groups as well as mainstream social enterprises. This focuses on understanding finance, how to develop the right business model, measuring impact and guidance on how to apply for funding. IREAD (Investment Readiness Enterprise Assessment Diagnostic) is a specific example of business support to development trusts to strengthen their investment and contract readiness. The online assessment tool below is managed by DTNI and supports development trusts to strengthen their enterprise focus and loan readiness.

The DTNI research showed that there is, for example, a need for support on intellectual property rights, business modelling, including financial cash-flow and forecasting, as well as on operational aspects such as valuation guidance and technology reviews. But many of the investment-readiness models tend to focus on growth, how to secure finance, or how to 'sweat' the existing asset base; all issues where the development trust sector in Northern Ireland seems to lag. That is not to suggest that support is not effective and there are well-developed social entrepreneurship programmes across local authorities that support social enterprises, especially around business planning and commercialisation.

Workspace was set up in Draperstown in 1985, to build the local economy, assist business start-ups, and grow the social economy in mid-Ulster (See Technical Advisory Paper 1, Asset-based Development). They have already established several independent businesses within the Workspace group, including: MYM Recruitment; Workspace Enterprises Ltd; Workspace after-schools club; Workspace recreation centre; Homeseal, Network Personnel; and Thermtech. Based on their experience and track record, they now deliver the Go For It, Gearing for Growth Programme, and the Exploring Enterprise, Co-Innovate and Social Entrepreneurship Programme (both for Mid-Ulster Council). In 2020/21, they supported 43 business start-ups, although, on average, pre-Covid levels were 90 business start-ups per annum. They feel that mainstream programmes are not fit for purpose and instead focus on the bespoke needs of social enterprises, mentoring leaders, and offering specific professional expertise to get the project to the next level of growth. They also focus on building a pool of local business people to support new entrepreneurs and address the barriers that they face, especially in the critical start-up phase. This, again, shows the advantage of a strong social enterprise anchor with the economies of scale, the expertise, and the networks to skill up the local sector.

Social innovation

There has been considerable interest in social innovation and the EU PEACE PLUS Programme has made the connection between social innovation and social enterprise development. NESTA (2021) also highlights the importance of social innovation, in connecting with ‘power holders’, agencies with resources, and networks to support a more inclusive economy. Many of the issues – including building stronger local economies, developing the next generation of social enterprises and moving into more productive sectors – relate to cultures within the social economy and across Northern Ireland more broadly. The Northern Ireland Innovation Strategy 2014-27 emphasised the importance of design thinking across sectors, especially in high-value labour markets where the social economy has been traditionally weak (See TAP 2 ‘The Plural Economy’). There are a number of guides, such as the Open Book of Social Innovation, which sets out a six stage methodology, from prompts, proposals, prototypes, sustainability, and scaling to final systemic change; and Amplify NI (n.d) has developed a toolkit to support practice across sectors and areas. But these processes need to be clearly anchored in supporting realistic and achievable outcomes for the social enterprise sector in which finance, a preferential regulatory environment, and capacity building are vital. There is innovation in the finance sector, especially around the potential of a mutual bank for Northern Ireland, and how it could support businesses and communities across the region.

Northern Mutual is a proposal for a **member-owned mutual bank** by people living in Northern Ireland. Concerned about the difference between capital raised in the region and that which leaks out in loan investments, the proposal is that money deposited with the bank cannot be invested outside Northern Ireland. Northern Mutual aim to open and maintain branches and ATM services across high streets, neighbourhoods, and in rural areas. The preliminary financial model indicates that £20m will be required over the first five years to meet current regulatory and internally assessed capital requirements, and the target operating model is to achieve total assets of £500m. The proposal is to capture shares of core markets in personal current accounts, SME current accounts, mortgages, personal unsecured loans, and business unsecured loans.

It was stressed in a number of the thematic discussions that initiatives, particularly those concerning social innovation, need to be better connected to the development of the social economy, supporting social enterprises to address community priorities, and funding more creative ways to build the impact and resilience of the sector. In the Basque Country, social innovation is viewed as a way of diversifying and scaling social enterprises and community initiatives, rather than being seen as an activity in and of itself.

Agirre Lehendakaria Center (ALCK) is a Basque Social Innovation Lab established in 2013 by the University of the Basque Country (UPV/EHU) in partnership with AC4-Columbia University in New York. ALCK was created to better understand the Basque experience of socio-economic transformation from a multidisciplinary, systemic perspective. Based on a Theory of Change approach, they have evolved a ‘waves of transformation’ method, that starts with communities and their values, to build small local actions but emphasise the potential for scale and replication. Transformation is the end goal, but so too is regulatory change to encourage large-scale interventions that have a distinct social impact, embedded in the defined needs of people in the first stage. One initiative involves the Orange Economy, and cultural and creative sectors (CCS) and looks at how the region can use creative industries to build a more inclusive and shared economy. Five prototype ideas were developed, but the key strength is the capacity to foster social innovation within a strong social economy where co-operatives, intermediaries (in legal services for instance), assistance with skills and technical issues, and bespoke finance can nurture such concepts. The question is: what is social innovation for, and how does it connect to social entrepreneurship, finance, social enterprises, jobs, services, and the development of a viable social economy in Northern Ireland?

Accounting for social finance impact

The discussion of the 3LM approach emphasised the need to properly understand and account for community wealth effects, especially at the neighbourhood scale. There are a number of social return on investment tools, and the US based Global Impact Investing Network developed Impact Reporting and Investment Standards (IRIS), which seeks to establish criteria for measuring both financial and social effects, across a range of domains, that also align with the Sustainable Development Goals. McCarthy et al. (2021) set out a thematic taxonomy that profiles how interventions in such SDG sectors (inequality, health, climate change and so on) should be structured, measured, and reported in a standardised fashion. For example, 'investment in land' is not about productivity and yield, but includes 'increasing the sustainability of local economies and communities through forestry and land use.' This suite of indicators, in part, aligns with the outcome measures approach in the Programme for Government, and, indeed, in some local authority community plans, but underscores the need for valid and reliable measures that investors can trust, which can be aggregated to demonstrate global effects of community wealth, and can attract finance (loans and grants) into the development trust sector.

The New Economics Foundation defines Social Return on Investment (SROI) as an outcomes-based measurement tool that helps organisations to understand and quantify the social, environmental, and economic value they are creating. Developed from traditional cost-benefit analysis and social accounting, SROI is a participative approach that is able to capture, in monetised form, the value of a wide range of outcomes, whether these already have a financial value or not. An SROI analysis produces a narrative of how an organisation creates value, and a ratio that states how much social value (in £) is created for every £1 of investment. There are also good accessible systems available for development trusts and community projects in Northern Ireland as indicated below.

The Social Impact Measurement System (SIMS) is an online tool managed by DTNI, that enables groups to assess the social value of an asset transfer proposal or project. The Rural Community Network Social Value Engine is applicable to a wide range of community development projects to assess the social return on investment of each £1 invested, primarily to show the impact of grant funding. Gauge is part of the NOW Group and specialises in bespoke SROI, producing tailored social impact cards, training, and consultancy support.

Teasdale et al. (2013) point out that measurement in the social economy is a systemic conceptual and methodological problem. Inflationary claims of the financial impact of social enterprises, and flexible interpretations of 'social' have not helped. 'Learning from Failures in Venture Philanthropy and Social Investment' (EVPA, 2014) highlights some obvious problems of weak governance and due diligence processes in 'using money' to support wealth building, but also the lack of performance data on which investors and beneficiaries can judge the success of a particular project. Here, they point out that there is a lack of objective methodologies around which impact can be fully understood, tested, and agreed upon. Moving away from profit to triple bottom line effects, of course, creates complex measurement challenges that need to be better understood and addressed. In economic analysis, spending has direct, indirect, and tertiary effects. These effects need to be objectively defined and independently measured, with falsification at the heart of any methods – i.e., can we critically test what is being proposed in an open and transparent way. Much of the problem relates to inflated claims about tertiary effects, the lack of causal attribution, a failure to fully account for deadweight and displacement, and a tendency toward optimism bias. As all the TAP reports highlight, understanding the impact of Community Wealth Building is a cross-cutting methodological challenge.

Implications for making money work

The analysis suggests a number of priorities related to the demand and supply of money, and how social finance, in particular, can better support Community Wealth Building:

A focused review of social finance and community wealth: gaps and priorities. The development of a Community Wealth Building policy highlights the need to better understand social finance, grant programmes, and fiscal opportunities (social and community tax relief) to explore where it is working, how to address supply gaps, and how to more effectively integrate disparate revenue streams. As noted in TAP 1, a Community Asset Transfer programme would be effective only if it is accompanied by capital and revenue funding, so the approach raises a range of questions about how community wealth would be supported, and not just using public sector grants. There are, however, opportunities to align debt and grant programmes (such as Financial Transactions Capital, the Levelling Up Prospectus, and PEACE PLUS) to the five pillars of Community wealth Building, as well as to innovate with new sources such as Community Municipal Investments and Bonds. Integrating local finance partnerships with a total place framework to investment aligns with an area-based approach to Community Wealth Building in the context of urban regeneration more broadly.

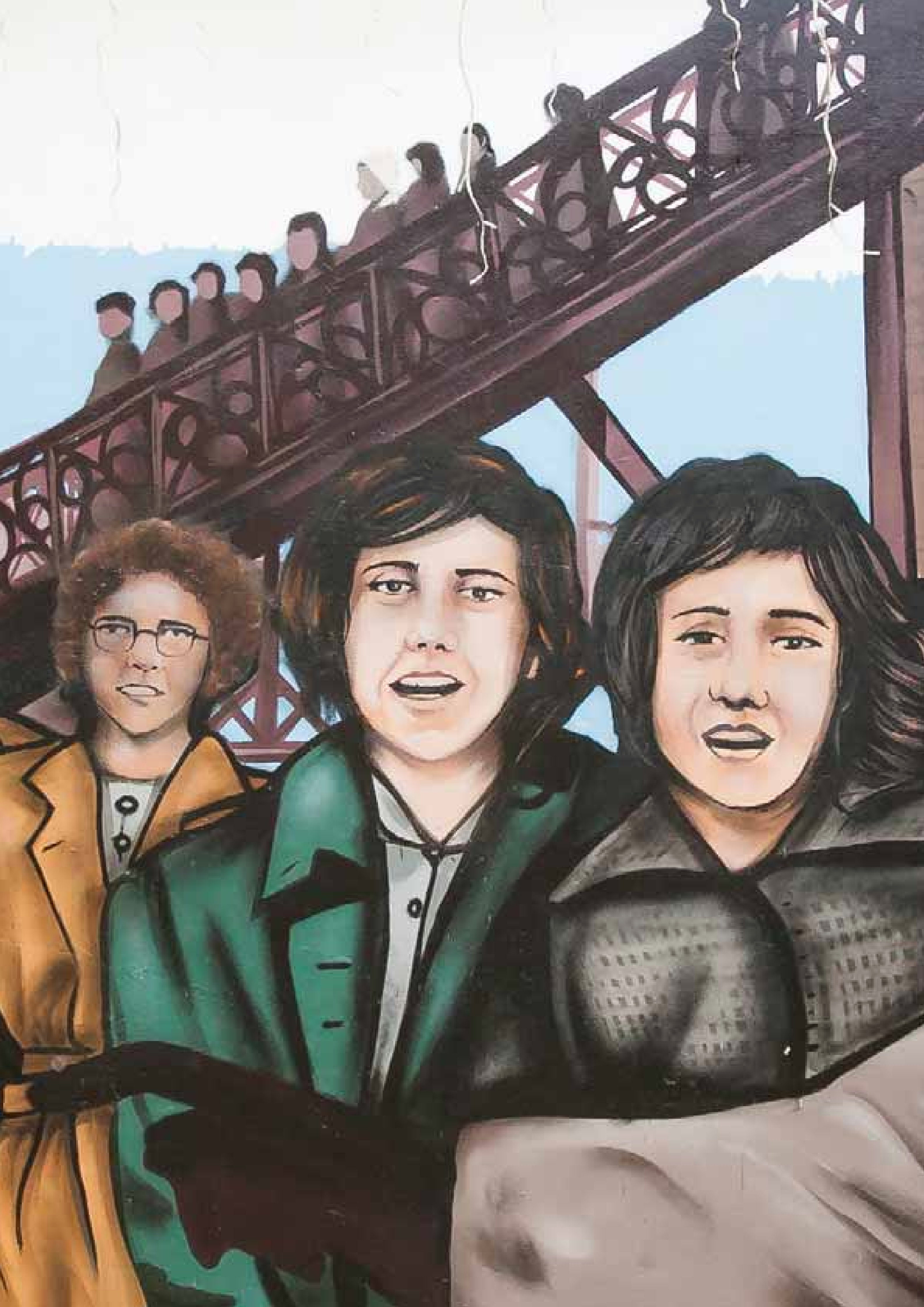
Diversify the supply of investment finance. Such a review could aim to build on experimental initiatives in unsecured lending, to help think strategically about how community wealth can be supported through current investment lines. The development trust survey showed the need for start-up capital; risk finance to try out new ideas; (equity) investment to diversify; and capital to enter new markets where entry barriers are high, such as in renewable energy. There is, in particular, a need to develop patient capital products (soft loans, with low interest rates, repayment holidays, and technical support). Community shares and bonds work effectively, and there is an opportunity to support intermediaries to grow the sector locally.

Credit unions and impact investment. The ILCU manifesto provides a building block to strengthen the sector, especially for 'investment and lending for social purposes/partnerships with local authorities and other stakeholders to help address social need.' The recent initiative in the Republic of Ireland on credit union lending to housing associations could inform such a review, which would support the lobby for national change or regional derogation, given the structure, size, and potential of the sector in Northern Ireland. Credit unions across affiliations are a uniquely powerful asset in making local money work better for people and communities, but need to be strengthened in the context of Community Wealth Building. Politicians, along with policy makers and NGOs, could build on the manifesto as a practical step in taking such an agenda forward with the Prudential Regulatory Authority.

Building financial competence. Development trusts identified a skills gap across the public sector and social enterprises about the use of social finance, financial planning and how to manage repayments, risk and uncertainty, and mixed (grant and debt) funding models. This includes, specifically, the need for contract- and investment-readiness, which has been initiated but needs to be more effectively planned and resourced. There is also a need to use innovation to build the next generation of social enterprises, identify and scale interventions, and develop a more creative approach to embedding community wealth in underinvested communities. There are also good initiatives in improving financial literacy within socially deprived communities, but this needs to be boosted to ensure that people are literate in money management and understand the impact of their spending (not least within the neighbourhood economy).Making money work harder in neighbourhoods. It is important to identify financial flows (wages, benefits, investment, borrowing, grants, rates, rents, and so on) in socially disadvantaged neighbourhoods, and how their local effects can be maximised by preventing leakage from the local economy. Identifying gaps, priorities for investment, and bringing social finance partnerships to support area-based interventions underscores the potential to spatialise Community Wealth Building. Linked to this, there is a need to standardise valid and reliable measures for understanding and recording social value and how it impacts on service delivery, deprived communities, and social inclusion.

Creating a mutual bank. The potential and capitalisation of a mutual bank could be explored to see where and how it could add value to Community Wealth Building in underinvested communities.

Developing participatory budgeting across sectors and places. There is also an opportunity to build on and mainstream successful participatory budgeting models, to give local communities a more meaningful say in how resources are prioritised in their area.



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Queen's Communities and Place | QCAP uses research and teaching to help tackle the complex challenges of socio-spatial deprivation. Our social economy strand works with people, NGOs and government to build a more inclusive approach to area-based regeneration.

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