

SOCIAL ECONOMY ENTERPRISE STRATEGY 2009 – 2011

RESPONSE BY UCIT TO THE DETI CONSULTATION

9 October 2009

1. Introduction

Ulster Community Investment Trust (UCIT) is the largest provider of social finance and business support to the social economy sector in Northern Ireland, investing in excess of £23m in support of 169 social enterprises since 2001.

UCIT is a leading member of the nationally recognised Community Development Finance Association (CDFA), and in this role we represent Northern Ireland interests at a UK level. This gives us a unique insight to initiatives that are supporting the social economy in other regions of the UK. It is within this context that we welcome the opportunity to respond to the Department of Enterprise, Trade and Investment's consultation on the 'Social Economy Enterprise Strategy 2009 – 2011'.

In Summary

UCIT is supportive of a continuation of the key objectives set out in this 'refreshed' strategy. We are particularly encouraged to see that the Strategy recognises the social economy as an integral part of the local economy, and that a greater focus will be put on increasing the business strength of the sector to help it achieve its potential.

However, UCIT believes that improving access to appropriate forms of finance will be a critical factor in determining the success of many social enterprises over and beyond the lifespan of this strategy. In this respect, the new Strategy would better serve the sector by articulating the need to create the conditions for more social enterprises to access appropriate debt and equity-type finance.

Whilst acknowledging the investment that DETI and Invest NI are making to support the Social Entrepreneurship Programme, SEN and making provision for associated staffing costs at agency and policy level, UCIT believes that the Strategy does not fully provide for the resources that the sector needs to achieve its potential.

UCIT believes that the Strategy's objective to increase the sector's business strength with access to capacity building measures and the provision of debt finance by UCIT as part of the Social Entrepreneurship Programme falls short of the level of public sector investment needed in Northern Ireland and well short of that being made available in other regions of the UK.

- In England, for example, the current Social Enterprise Action Plan highlights the Government's commitment to create the conditions to enable more social enterprises to access appropriate finance. To this end, the Government has invested a total of £215m into Futurebuilders England since 2003, which is currently delivered by Adventure Capital Fund and provides a mixture of loans and grants to social enterprises looking to deliver public services.

- In June 2008, the Scottish Executive appointed Social Investment Scotland to manage a new £30m Scottish Investment Fund. The Fund will provide a mixture of loan and grant finance to social enterprises over a 3 year period to 2011.
- A key part of the Welsh Social Enterprise Action Plan makes provision for a new £8m Community Asset Transfer Fund to help social enterprises renovate public buildings to offer services to the community.

Taking into consideration the level of public sector investment into sustainable forms of finance in other parts of the UK, coupled with the increasing difficulty experienced by social enterprises accessing finance from mainstream lenders, it is clear that without access to appropriate forms of finance there is a greater chance that some organisations will fail.

The Social Economy Enterprise Strategy 2009 – 2011 does not go far enough to address the need to enable social enterprises at all stages in their growth cycle to access appropriate forms of finance.

In light of evidence presented by UCIT to the Committee for Finance and Personnel and information supplied to the Clerk of the Committee for Enterprise, Trade and Investment, which highlighted the difficulties experienced by social enterprises trying to access affordable capital from the banking sector and the reduction in the availability of grants to support social enterprise, there is clearly a need for a Government action plan that involves direct investment as well as enabling private investors to engage with the sector.

- *Direct Investment* – The Strategy needs to articulate how DETI will work with Invest NI, DSD, DARD, DHSSPS, and other departments as appropriate to help establish a number of new investment funds that, for instance, focus on stimulating the expansion of the role of social enterprise in the provision of health and social care (similar to the Department of Health’s £100m loan and quasi-equity fund in England);
- *Enabling Private Investors* – The Strategy needs to include an action plan that will ‘enable’ Community Development Finance Institutions in Northern Ireland such as UCIT to increase the level of private investment flowing into the social economy; and unlock the assets held by, for example, credit unions and housing associations within the sector.

This could, for instance, include an ‘appropriate’ form of regulation for UCIT as an Industrial and Provident Society that gives potential investors the confidence to invest.

It could also involve DETI working with DFP to secure a portion of the unclaimed funds from the Dormant Bank and Building Societies Accounts to invest into social enterprises for a return, which could then be used to provide business support to the sector on a perpetual basis.

We appreciate your consideration, and are at your disposal for further consultation on these issues.