

From: Mike Hill, Cabinet Member for Community Services

Barbara Cooper, Corporate Director, Growth Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 15 September 2015

Subject: **Kent Big Society Fund: Annual Report to Kent County Council**

Classification: Unrestricted

Past Pathway of Paper: The annual report is presented to Cabinet Committee under the agreed governance arrangements for the Fund.

Future Pathway of Paper: N/A

Electoral Division: County-wide

Summary:

Kent County Council has received the attached annual report for the Kent Big Society Fund from the Kent Community Foundation. The annual report contains performance information on a calendar year basis. As requested by Cabinet Committee previously, an impact report on the Fund performance over the lifetime of the Fund is also attached. The annual report is provided to Kent County Council as part of the agreed governance arrangements of the Fund. It is for information only.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse the annual report and the three year impact report provided by the Kent Community Foundation.

1. Introduction

1.1 The Kent Big Society Fund (the Fund) was established in January 2012 by pledging up to £3 million by way of three charitable annual donations from Kent County Council (KCC) to Kent Community Foundation (KCF). The Key Decision (11/01755) was taken by the Cabinet Member for Customer and Communities on 16 December 2011. The Fund operates principally as a social finance loan scheme and its main aims are to support growth in the social enterprise sector and to create and sustain employment opportunities. Loan packages are offered in the range £10,000-£100,000. In the main, loans are unsecured, making the Fund attractive to organisations unlikely to be able to access more traditional financial products. Decisions to loan are made by the Fund Investment Panel, chaired by KCF and with representation from KCC members and KCF trustees.

2. Financial Implications

2.1 The payment schedule to KCF from KCC is for three annual payments. The final payment from KCC (£950k) has now been made to KCF and this completes

KCC's financial commitment to the Fund. The Fund remains open and will continue to offer loan packages to new and emerging social enterprises.

3. Policy Framework

- 3.1 The Fund was set up under the Bold Steps for Kent framework as part of KCC's commitment to support growth in the voluntary, community and social enterprise sectors in Kent and to create employment opportunities for those disadvantaged in the labour market.
- 3.2 The Fund is designed to provide dedicated business support in the period between expression of interest and loan application. This means that there is a systemic time lag in the pipeline. It does mean, however, that very few full applications are refused by the Investment Panel and that the default rate on loans is remarkably low, at less than 5% of the total loan value. The Fund has performed well in this area when compared with other similar schemes.
- 3.3 Loan packages can include an element of grant up to 20% of the total value of the offer. Successful applicants have reported that they value the grant element in the loan package which provides a level of cash flow critical to growth.

4. Fund Performance

- 4.1 Over the lifetime of the Fund to date, there have been 159 separate expressions of interest made where business support has been provided. The value of these is £3,159,534. This has translated into 45 applications to panel. 30 applications have been approved by the Investment Panel and a total of £1,477,215 has been offered. The active pipeline of applications yet to come to panel, at the time of the attached (most recent) annual report, was 5 applicants requesting loan packages amounting to £354,000. A detailed breakdown of the Fund activity in 2014 and cumulatively is in Table 2 of the annual report.
- 4.2 The impact of the Fund has been significant with 270 jobs created or safeguarded. This is a particularly compelling figure because social enterprises tend to support those furthest from the labour market including service users. It is also pleasing to note that just under 50% of those offered volunteering experience with the funded enterprises have moved into paid employment. This suggests that the volunteering opportunities offered within social enterprises are delivering experience and skills that are valued in the labour market.

5. The Social Finance environment

- 5.1 There is growing recognition nationally of the importance of the social investment market in tackling and funding social issues and driving innovation. Confidence within the sector is also growing. Nationally, the Government, in its 2014 progress update on the report "Growing the Social Investment Market", discusses the benefits of social investment models. These reflect the rationale of KCC's original investment and are identified as: supporting economic growth, reforming public sector services and enabling social innovation. More recently, the Minister for Civil Society has shown particular interest in the provision of social finance to promote growth and innovation in the delivery of public goods and services.

5.2 The activity profile of the Fund initially mirrored that of other similar funds nationally. There is some, albeit anecdotal, evidence that it has begun to out-perform other social loan schemes in terms of numbers of expressions of interest and the low level of default. The Fund also fills a nationally identified gap in the social finance market by offering loans at below £150,000 and meets a growing demand for affordable risk capital.

6. Fund sustainability

6.1 Loan repayments are re-cycled directly into the Fund with interest. To date, £226,000 in repayments has been received. Provision for defaults has amounted to £31,000 between two organisations.

6.2 The Annual Report also outlines the ways in which the Fund has served to leverage additional money either through KCF or directly to the enterprises supported. KCF has promoted the aims of the Fund through its donor network and is looking at the potential of different models of part-funding or risk-sharing.

6.3 It is also encouraging to note that national social investment funds are now looking more seriously at using well-regarded social finance intermediaries in bringing their products to the market and KCF is involved in consultations about suitable mechanisms to do this.

7. Conclusions

7.1 The reports from KCF attached demonstrate that the Fund is performing well and is meeting the original aims in terms of jobs and growth. It has become a well-regarded part of the social investment market in Kent, particularly as it responds to the particular market gap in providing loans below £150,000.

8. Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse the annual report and the three year impact report provided by the Kent Community Foundation.

9. Contact details

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