



creating change by supporting change

SE UK - Accessing & Securing Finance

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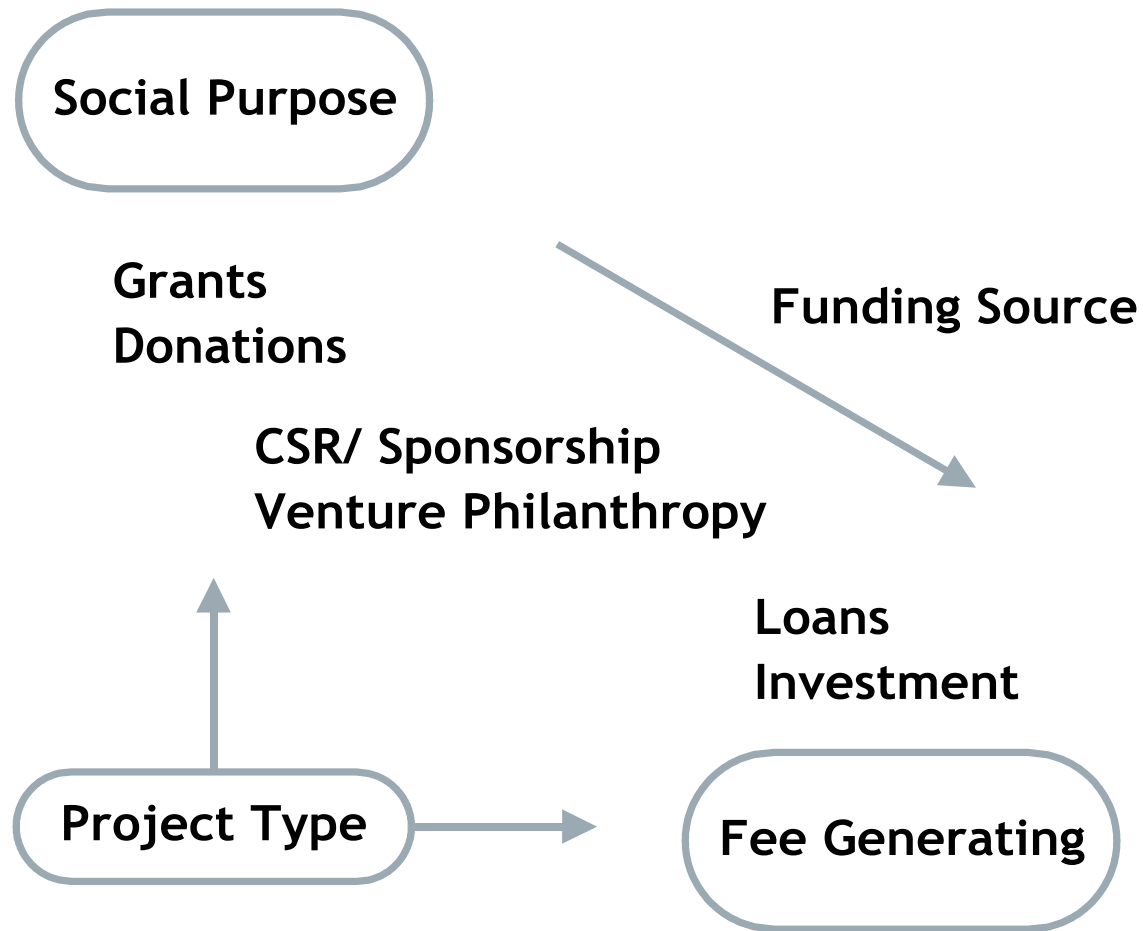


Why do you need finance ?

- Start new enterprise/project
- Expand existing enterprise/ project
- Innovate new project
- Purchase capital items
- Purchase business
- Bridge finance gap



Funding and Projects



Bank

- Used for working capital requirements
- Overdraft
 - Expensive (set up fee/annual charge/rate)
 - Risky
 - Repayable on demand
 - Collateral/guarantee
 - Rule of thumb – 4 to 6 weeks of expenditure



Sources for overdrafts & loans

- Unity Trust Bank www.unity.uk.com
- Co-Op Bank www.co-operativebank.co.uk
- Triodos www.triodos.co.uk
- Other high street banks



Lenders - Loan considerations

- Large amount
- Repayment and charges fixed by contract
- Period often linked to reason for borrowing
 - e.g. IT equipment 3 years, other 5-10 years
- Must be capable of repaying borrowing (debt service – i.e. enough cash)
- Must be able to pay interest (interest cover i.e. enough profit)
- Reporting requirements – monthly management accounts
- Guarantees/ security?
- Management liability?



Lender's perspective

CAMPARI

CAMPARI		
C	character	Nature of enterprise. Who are the managers?/ integrity of managers
A	ability	Do the legal and technical conditions allow borrowing? Is the repayment schedule viable? Capability/ track record of the managers
M	means	Is the organisation capitalised? Has it the means to repay the loan? Can it afford the interest margin and costs?
P	purpose	What is the money to be used for? Will the project make the organisation successful?
A	amount	Is the amount being borrowed sufficient? Is it excessive?
R	repayment	How long is the payback period? Is it affordable?
I	insurance	Is there security? What can be recovered if failure



Sources for loans

- The Social Enterprise Loan Fund www.tself.org.uk
- Social Investment Business www.thesocialinvestmentbusiness.org
- Charity Bank www.charitybank.org
- Venturesome www.cafonline.org
- London Rebuilding Society www.londonrebuilding.com
- Big Issue Invest www.biginvest.co.uk
- Community Development Finance Institutions www.cdfa.org.uk



Investment

- Purchase shares and in return share in profit
- Allowed some say in management appointment
- Now includes forms of profit sharing but no share sale (quasi-equity)
- What is investor motivation?
- What is exit strategy?
- What is cost?



Sources for investments

- Bridges Ventures www.bridgesventures.com
- Big Issue Invest www.biginvest.co.uk
- Clearlyso www.clearlyso.co.uk



Grants

- There are four core sources
 - Charitable Trusts and Foundations
 - Big Lottery Fund
 - Central/Local Government Departments, (including Regional Development Agencies etc.)
 - European Finance
- Gifted funds
- Focus on social change delivery
- Reporting requirements getting more onerous
- Huge competition for funds
- Seek new funders regularly – repeat grants from same source unlikely



Sources for grants

- Funding Central www.fundingcentral.org.uk
- Funder Finder www.funderfinder.org.uk
- Grant Finder www.grantfinder.org.uk



Finance for more mature organisations

- Risk Capital – e.g. Venturesome
- Venture Philanthropy
- Invoice Discounting
- Crowdfunding
- Bond Issue
- CSR – corporate sponsorship



Investor summary

	Collateral	Repayment	Financial return	Social return	Exit
Bank O/D	✓	✓	✓		
Commercial lender	✓	✓	✓		
Social lender	✓	✓	✓	✓	
Commercial investor			✓		✓
Social investor			✓	✓	✓
Grant making body				✓	✓



Management Accounts

- Internal management tools
- No prescribed format
- Depends on sector and audience
- Used to plan/ control/ manage/ report on activities
- Measure performance of prices/ costs/ outcomes
- Take action – change strategy etc.
- Most common tool is the BUDGET
- Usually reported monthly
- Lender/investor will want access to info



Financial accounts

- Financial accounts prepared annually except for unusual circumstances
- Legal requirement for all incorporated companies to produce accounts & report them (Companies Act)
- File information with Companies House
- Also have to file annual return giving information on directors, members and mortgages
- Industrial & Provident Societies (Co-Ops) do the same with the FSA



Sources of Support

- National level
 - SE UK
 - Unltd
 - Red Ochre
 - Business Link - www.blondon.com/SocialEnterprise
 - NCVO
 - Co-operative UK
- Local level:
 - Social Enterprise London
 - ARC project – 6 East London Olympic Legacy boroughs (free)
 - CVS
 - Local authorities – Regeneration & Community Units



APPENDIX



Case Study - Arts related training for young people

- Freya manages a community based theatre company. It is a charity and is extensively supported by the local authority as well as a community membership scheme.
- There is considerable interest in using theatre and drama to engage youngsters who are otherwise doing badly at school if not dropping out of the schooling system altogether.
- Freya has identified premises that could be rented to undertake classes using her existing theatre groups linked with a local education college to undertake this training leading to educational certification.
- Early estimates indicate that between £350,000 and £500,000 are required to get the project off the ground.
- Freya is confident that the local authority contracts would make the project profitable within two to three years. That would allow her to launch other projects and to reduce the amount of grant funding received. The local authority has always indicated that they would prefer to reduce the grant support to the company.
- Freya wants to know what type of funding would allow her to launch the project.



Case Study- Ethical retail and travel social enterprise

- Sven has been working for the UN for 10 years. In the last 4 years he was stationed in Indonesia. He spent a lot of his spare time help local communities start up craft businesses and also small scale bottling and canning of local produce.
- Now retired he wants to start a social enterprise in London. Initially he wants to open a well located retail unit that will sell the crafts and food products from his contacts in Indonesia.
- He is ambitious to roll the shops out to other location as soon as possible.
- He also wants to start an eco/ethical travel business. Shoppers in the UK will be encouraged to visit Indonesia. They will be taken on eco-safaris by locals, who are currently unemployed, and will also work with the community businesses to enhance them and to convert the tourists into ambassadors for the products back in the UK.
- He wants to know what type of funding would be most appropriate for him to fulfil his ambitions.

