
Investment

Jobs

Growth

SOCIAL ENTERPRISE & PUBLIC SERVICE DELIVERY RECOMMENDED ACTIONS FOR THE COMMITTEE FOR FINANCE & PERSONNEL

INTRODUCTION

- Ulster Community Investment Trust (UCIT) is a charity which provides flexible loan finance and business support to social enterprises in Northern Ireland.
- UCIT's mission is to assist social enterprises to become more financially viable and self-sufficient, and as a result encourage economic development and job creation in some of the most disadvantaged communities in Northern Ireland.
- Since 2001, UCIT has invested almost £22 million and supported over 150 social enterprises in Northern Ireland.
- A snapshot of UCIT's activities in Q1 2009, reveals that we are currently investing £12.7 million into 81 social enterprises, which provide employment for almost 700 people, have 1,300 volunteers and provide workspace for an estimated 600 SMEs that provide a further 2,450 jobs.

SOCIAL ENTERPRISES ARE A VITAL PART OF THE NI ECONOMY

- There are an estimated 1,200 social enterprises, employing over 20,000 people in Northern Ireland. This represents 3% of an estimated 37,855 Small & Medium Sized Enterprise (SME) employers in the region.
- Social enterprises are businesses with a social, community or ethical purpose. This means that profits are reinvested for the benefit of the community rather than for shareholders or directors, making the social economy an excellent way to lock wealth into disadvantaged areas.
- In the first quarter of 2009, the Northern Ireland economy contracted at a faster rate than any other region in the UK, foreign direct investment continued to decline and unemployment reached 43,900, following large scale redundancies in manufacturing and construction. In contrast, UCIT's clients continue to perform well, retaining jobs and contributing to sustainable economic development in some of the most deprived areas in Northern Ireland.

PROPOSED ACTIONS BY UCIT TO SUPPORT SOCIAL ENTERPRISE GROWTH

UCIT aims to create a public procurement brokerage service that helps social enterprises successfully tender for public service contracts.

There are three reasons to help social enterprises win public service contracts

1. They make a vital contribution to the local economy, particularly in the provision of services such as health and social care, and environmental regeneration in areas that are often underserved by the private sector.
2. Social enterprises have a strong sense of community ownership, being managed by local people for local people, which makes them a highly effective way to deliver public services to vulnerable sections of society.
3. Better access to Northern Ireland's estimated £2 billion public procurement marketplace would support social enterprise growth, job creation and sustainable economic development.

A public procurement brokerage service would help like-minded social enterprises come together to win public service contracts. The key objectives would be to:

- Build the business capacity of social enterprises and their readiness for public procurement
- Facilitate business links and strategic alliances between social enterprises and with the private sector to help build the sectors' collective business strength and ability to tender for public service contracts

The brokerage service would be managed by a Committee made up of three organisations:

- **UCIT** – financing social enterprises and providing capital for administering the brokerage service
- **Social Economy Network** – facilitating business links and identifying new tender opportunities
- **School for Social Entrepreneurs in Ireland** – Building the sectors' business capacity and skills base

UCIT aims to increase the supply of finance into the social economy in Northern Ireland.

- Over the past 2 years to 31st December 2008, a quarter of all social enterprises approved for finance by UCIT have come from start-up enterprises unable to access credit from the banking sector, and more established enterprises unable to expand their operations because their existing bank is unwilling to offer them additional finance or more competitive terms.
- Without access to additional investment, start-up social enterprises will face greater barriers to market entry and existing enterprises may not be in a position to expand their operations, with the risk of job losses, closure of essential community services, and additional costs for public finances.

RECOMMENDED ACTIONS FOR THE COMMITTEE FOR FINANCE & PERSONNEL

UCIT has identified two areas of intervention by the Committee for Finance and Personnel that will increase the supply of finance into the social economy and help the sector win public service contracts.

1. Ring-fence part of the unclaimed funds from Dormant Bank and Building Society Accounts for investment by UCIT into the social economy.

Unclaimed funds will be used by UCIT to establish a social investment loan fund that reinvests capital into an increasing number of social enterprises on a perpetual basis. A key part of this proposal would be to use a portion of the capital generated by interest repayments to finance a public procurement brokerage service on behalf of social enterprises in Northern Ireland at no additional cost to public finances.

Evidence of how unclaimed funds can be used to support social investment

In England, part of the unclaimed funds will be distributed by a 'social investment wholesaler' to develop the long-term sustainability of 'third sector organisations', including social enterprises (*Dormant Bank and Building Societies Act, 2008*).

The Irish Government has acknowledged that its experience of distributing unclaimed funds in the form of grants under the Dormant Accounts Act 2001 has raised questions about the sustainability of grant funding and highlighted support for using these funds to create a more sustainable social investment loan fund.

Evidence of Regional Support for Social Enterprise and Public Service Delivery

In England, the Government has invested £215m into Futurebuilders England Ltd. to provide a mixture of loans and grants to social enterprises seeking to deliver public services.

The Scottish Executive will invest £30m into social enterprise growth over the next 3 years (2008 – 2011) as part of its strategy to build the capacity of social enterprises to bid for public service contracts.

2. Lobby Central Government to extend FSA regulations and public guarantees to UCIT to be used to secure investment into the social economy from:

- The private sector, including banks and high-net-worth-individuals who view security as a key barrier to social investment – *bringing new private investment into the sector*
- The social economy, including housing associations and the credit union movement, which have already expressed an interest in using UCIT as a social investment vehicle, but view security as a key barrier – *unlocking existing capital within the sector*