

EMBRACING THE POTENTIAL OF THE HEART OF THE SOUTH WEST THROUGH SOCIAL IMPACT INVESTMENT AND INCLUSIVE GROWTH

CONTEXT

The Heart of the South West, a region of diverse landscapes and vibrant communities, is home to a £37bn economy, 1.8m people, and 72,000 businesses. The region boasts two national parks, rural and coastal areas, and strengths in energy, engineering, and digital sectors. However, beneath the surface, there are significant challenges to address.

Despite high employment levels, wages are lower than the national average, and almost 1 in 4 jobs earn below the Real Living Wage. Furthermore, 22% of neighbourhoods rank among the most deprived in the country. The Heart of the South West LEP is committed to addressing these inequalities and fostering inclusive growth, with four priority areas: good businesses and jobs, good skills, good housing, and good health.

Place-based social impact investment has been effectively utilised in different in a growing number of areas across the country as a catalyst for initiatives aimed at addressing significant local challenges. This approach unites a diverse array of stakeholders, including charities, social enterprises, and wider partnerships. Together, they construct a collective vision of what can be achieved, bolster capabilities, and build initiatives to achieve the necessary outcomes to surmount these challenges.

The LEP is exploring the potential of a social impact investment fund for the Heart of the South West, aiming to contribute towards delivering inclusive growth in the area. This initiative aligns with the LEP's commitment to support businesses, individuals, and communities in the region, promoting resilience, innovation, and sustainable development.

EXAMPLES OF PLACE BASED SOCIAL IMPACT INVESTING

BRISTOL AND BATH REGIONAL CAPITAL

Bristol & Bath Regional Capital (BBRC) is the South West's only investment company to focus exclusively on creating regional change through civic led, commercially focused and innovative investment. Established in 2015, BBRC has raised over £30 million in new social impact investment for the region. BBRC Homes is a subsidiary of BBRC focussed exclusively on delivering high-impact housing schemes, including affordable homes, mixed communities, community-led housing, inter-generational living and key worker homes. It works in partnership with charities, community and faith groups and housing associations for social impact.

BBRC is advisor to Bristol City Funds – a social impact investment Fund. City Funds is working to transform Bristol by funding solutions that target the causes and effects of inequality. A partnership between Bristol & Bath Regional Capital, Quartet Community Foundation, and Bristol City Council, City Funds uses its £10 million investment fund and aligned grants to strengthen organisations solving some of the biggest problems facing Bristol. Cornerstone investors are Big Society Capital, the UK's leading social impact investor, and Bristol City Council who have committed £5 million each. As an example of Bristol's One City Approach, City Funds partners with communities, sectors, experts and other funders, to facilitate new solutions to inequality. Where possible, BBRC raises capital from local investors to fund local projects through affordable finance options and business support, ensuring that community empowerment is rooted in each initiative.

NORTH EAST SOCIAL INVESTMENT COMPANY

The North East Social Investment Company (NESIC) launched The North East Social Investment Fund (NESIF) which was the first fund of its kind in England. NESIF is a £10.2 million fund set up specifically to provide investment to organisations that are passionate about making a positive social impact by taking on some of the big social challenges faced in the North East. These challenges include homelessness, poverty, unemployment, health and social care, mental health, offender rehabilitation and the regeneration of deprived communities. The social impact investments NESIF can offer range in size

from £100k to £1 million and work alongside banks and other sources of finance to deliver the right package of funding designed to meet each organisation's circumstances and needs.

The North East has a distinct set of social needs and challenges. The Fund will enable a greater number of social enterprises and charities to access investment and increase their impact. North East Social Investment Company is a unique partnership between Big Society Capital, Northern Rock Foundation (now managed by the Tyne and Wear Community Foundation), Joseph Rowntree Foundation and Esmée Fairbairn to support social impact investment in the North East of England. It was the first place based fund to be supported by Big Society Capital, which invested £4.5m initially in the fund.

KINDRED CIC

Kindred is a community interest company (CIC), owned locally and collectively, that reinvests money, space and learning in Liverpool City Region's socially-trading economy. Socially-trading organisations (STOs) are businesses and charities that deliver social benefits and trade commercially – businesses with a social mission.

Kindred has been capitalised with £5m investment from the Liverpool City Region Combined Authority and £1m from Power to Change. Its ambition is to create an economy fairer for us all, and to grow the impact of businesses that trade socially. Kindred offers hands-on, peer-to-peer support and learning, as well as blended finance – social investment combined with grants – to enable STOs to grow both individual and collective social impact.

HOW YOU CAN HELP

As a key stakeholder in the Heart of the South West region, your insights and perspectives are invaluable. We would like to understand your views on how place-based social impact investment could support our region. We invite you to consider the following questions:

- What do you see as the key social issues in the Heart of the South West?
- What would the ideal outcomes be for addressing these issues?
- What are the key opportunities and barriers for businesses and social enterprises to expand their impact in the region?
- Are there any good examples of stakeholders working together currently, and who do you think are the key stakeholders that we need to involve in this project to tackle social issues together?
- How could social impact investing be used to address key social issues in our region?
- How could social impact investing best help you in achieving your aims?
- Is there anyone else we should be talking to or things we should be considering?

DEFINITIONS: WHAT WE MEAN

Social Impact Investment: Social impact investment (also called 'social investment' or 'impact investment') is the repayable transfer of money with the aim of creating positive social impact. There is usually a return associated with the investment, meaning the amount of money repaid may differ from the amount invested.

Blended finance: Blended finance is a strategy that combines capital with different levels of risk in order to catalyse risk-adjusted market-rate-seeking financing into impact investments. The providers of the risk-tolerant, "catalytic" capital in blended finance structures aim to increase their social and/or environmental impact by accessing larger, more diverse pools of capital from commercial investors. The utilisation of blended finance structures and catalytic capital is increasingly relevant within the social impact investment ecosystem.

Place based social impact investment: Place-based social impact investments are investments made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.