

The Role that Social Impact Investing Can Play in the Heart of the South West

Inclusive Growth through Social Impact Investment and Blended Finance

Dominic Llewellyn, Jack Scriven and Emily Stewart





About AchieveGood

AchieveGood helps local and national governments, non-profits and corporates to maximise impact and diversify revenue by building the best partnerships across sectors. We create cross-sector collaborations to enable place transformation, develop viable impact strategies and social impact investments and help large organisations be platforms for innovation and impact.

We'd love to hear from you if you think we can help, or would like to discuss working with us. All of our work starts with a friendly conversation, so please do reach out on our website or email below to get in touch.

www.achievegood.com

hello@achievegood.com

About the authors



DOMINIC LLEWELLYN

Dominic Llewellyn is an entrepreneur focusing on integrating economic sustainability with social transformation. He founded AchieveGood to build the best partnerships across sectors. He has helped to create and deliver over £1bn in partnerships with NGOs, corporates, local and national governments and impact investors such as Amazon, Gordon Brown, Cambridge City Council, World Vision, Big Society Capital, J&J, the Scottish Government, the UK Government and the White House. In response to Covid-19, Dominic subsequently built and ran YourNeighbour, a national movement of 1,400 churches committed to caring for their local communities in responding to and recovering from Covid-19, providing 2.8 million meals to families, and supporting millions in minority communities to get vaccinated and a national helpline for those who needed help during lockdowns. Dominic previously worked in politics and government. This included standing for Parliament, working for Ministers in the Cabinet Office and co-authoring UK Government policy on social innovation, impact investing and economic growth.



JACK SCRIVEN

Jack is passionate about delivering positive and sustainable change. He combines data-led commercial and strategic insight, with tools to build processes, structures and teams for scale. His experience covers strategy, finance, commercial and operational roles for leading social enterprises such as JustGiving and HCT Group. More recently, he has co-founded a fitness challenge fundraising platform Umbali.org and has been advising a number of impact-focused social enterprise start-ups. With a deep interest in learning and development in a range of areas, he has an MA in Psychology from the University of Edinburgh, is a qualified CIMA accountant, and holds Agile and product management qualifications.



EMILY STEWART

Emily is an independent consultant, researcher, thought partner and facilitator working at the edges of systems transformation. Her background spans research and policy development, strategy, communications, and organisational design across a variety of sectors including social enterprise, venture capital, sustainable food systems, community development, and social innovation. Emily holds a degree in Experimental Psychology and Philosophy from the University of Oxford. She is a qualified transpersonal coach, On Purpose fellow and certified Warm Data Host, passionate about developing responsible organisational and systemic leadership, and supporting the transition to an economy that supports all life.

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Executive Summary

The Heart of the South West (HotSW) region is a tapestry of vibrant communities, rich heritage, and untapped potential.

As we navigate the challenges and opportunities of the 21st century, the potential of strategic social investments becomes evident, offering a pathway to drive transformative change and foster sustainable growth across the region.

This report provides an overview of the region's many assets as well as the pressing issues, highlighting key areas such as social mobility, connecting communities, and health & wellbeing. Each thematic area is deeply rooted in the experiences of the region's residents and aligns with the inclusive growth objectives of the Heart of the South West Local Enterprise Partnership (HotSW LEP) and those of partners across local government.

£7.9 billion

**estimated growth
of social impact
investment by 2021**

The report also draws on national and local developments in enterprise approaches to addressing challenges. The UK has seen a significant surge in social impact investment over the past decade, with Big Society Capital estimating its growth from £830 million in 2011 to

£7.9 billion in 2021. The Heart of the South West area has an opportunity to tap into this momentum, drawing inspiration from successful place-based social impact investing and enterprise models, many of which have pioneered locally.

We identify a broad spectrum of investable opportunities, from championing skills training and apprenticeship programmes to strengthening community assets and promoting health tech innovations. We also outline how these can map to local priorities to inform an investment thesis.

The region is at a pivotal juncture. At the heart of this report lies a call for vision and collaboration. By uniting stakeholders, investors, and community leaders, we can leverage resources more effectively, unlocking synergies and shaping a brighter, more prosperous and inclusive future for the region.



WHAT IS PLACE-BASED SOCIAL IMPACT INVESTMENT?

Place-based social impact investment works to create positive social outcomes through investing in specific areas or communities. These investments aim to provide social or environmental benefits and financial returns. This tailored approach focuses on the strengths of an area and builds partnerships using unique community networks to channel resources to local organisations and initiatives that meet specific needs in that area. It is often complemented by blended finance, an approach where grants are used to facilitate lending and increase the chances of success. The huge potential of place-based investing lies in its capacity to amplify impact, where thriving communities organically draw more support, creating virtuous circles of growth and engagement.

KEY SOCIAL ISSUES

The Heart of the South West, covering Devon, Plymouth, Somerset and Torbay, is characterised by its unique geography and socio-economic landscape, presenting both challenges and opportunities:

- 1** The region's dispersed population across coastal and rural areas is compounded by limited transport links, contributing to isolation, challenges to economic growth, and making aspiration difficult. With an economy heavily reliant on tourism and agriculture, the South West faces challenges such as seasonal employment, low wages and vulnerability to economic downturns.
- 2** Despite its rich cultural and educational institutions, certain areas in the region grapple with entrenched generational poverty, highlighting disparities in social mobility.
- 3** An ageing population and health disparities in coastal and rural communities place significant strain on health and social care services.

This report delves into these challenges, offering insights and suggesting potential opportunities to address them. The evidence and insights presented are grounded in a comprehensive analysis based on a wide range of interviews, submissions, and authoritative sources, including the recent Social Mobility in the South West report¹. This ensures a robust foundation for our findings, though it's worth noting that the analysis is not intended to be exhaustive. We aim to foster an understanding through which the opportunities for impact investing can be understood and amplified.

¹ https://www.exeter.ac.uk/media/universityofexeter/newsarchive/researchgeneral/Social_Mobility_in_the_South_West_Report.pdf

OPPORTUNITIES FOR IMPACT

This report then sets out case studies that show how place-based social impact investment in other areas has helped support and enhance local organisations in responding to similar issues. We also outline a range of models through which investment might be managed to start a conversation around a new model for the Heart of the South West area. We also outline where impact investing can help. Three thematic areas for social investment have been identified:



Each theme addresses pressing social issues and showcases viable investment opportunities, backed by successful initiatives within the region and beyond.

MOVING FORWARDS

Our interviews and consultations with over 30 local stakeholders has unveiled an enthusiasm for a place-based social impact investing fund. The region's dynamic social enterprises further underscore the Heart of the South West's potential. This initiative seeks to amplify local strengths, confront challenges, and capitalise on opportunities, harnessing the region's social and intellectual wealth.

We explore potential governance structures, from agile "light touch" custodians to a fuller multi-stakeholder organisation. Similarly, fund management options are described, ranging from in-house teams to collaborations with specialist local fund managers.

We are firmly of the view that the opportunity in this report, and the options for taking forward, remain unchanged even as the Heart of the SW LEP itself transitions and whatever local growth arrangements look like in the future. As such, we distinguish between the Heart of the SW area and the Heart of the SW LEP. As the LEP transitions, this report spotlights the potential of social impact investment in the region. Drawing from areas that have pioneered place-based impact funds, the Heart of the South West area is well positioned to be at the vanguard of this movement, to energise its community of social innovators and catalyse meaningful change.

Acknowledgements

First and foremost, we extend our gratitude to the team at the Heart of the South West LEP who have supported and guided this project. Their insight and the wealth of local data they provided have been instrumental in shaping this report.

We are particularly indebted to the University of Exeter for their comprehensive research on Social Mobility, which has significantly informed our understanding of the challenges and opportunities in the region.

Special mention goes to Ed Rowberry of Bristol and Bath Regional Capital, Erika Rushton, Creative Economist and co-founder of Kindred, Daniel Brewer at Resonance, and Jon Siddal and William Lilley at the South West Academic Health Science Network. Their experiences and learnings from running successful place-based impact funds have been invaluable to our research.

Furthermore, we would like to express our appreciation to the numerous local stakeholders who generously gave their time, sharing their insights and experiences in interviews and conversations. The feedback from those who responded to our Call For Evidence has been crucial in refining our approach and conclusions.

Lastly, while we have benefited from the input of many, all views expressed in this report are solely those of the authors. Any errors and omissions remain our own.

Glossary of terms

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 be higher than 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, this is often in the form of support grants. The risks-tolerant, "catalytic" capital providers 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 and outsized positive local impact, focusing on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.

Social Sector Organisation or Social Enterprise: mean those "that exist wholly or mainly to provide benefits for society or the environment" This definition includes regulated social sector organisations such as charities, Community Interest Companies or Community Benefit Societies but can also include for-profit entities where their constitution, governance and distribution policy are clearly set out to protect a primary concern of providing benefit to society.



£34 billion
economy



1.8 million
people



72,000
businesses

Introduction

The Heart of the South West area is a region characterised by its diverse landscapes and vibrant communities, is a dynamic hub of economic activity, home to a £34bn economy, 1.8 million people, and 72,000 businesses. The region is a tapestry of two national parks, rural and coastal areas, and strengths in energy, engineering, and digital sectors. However, beneath this vibrant surface, there are significant challenges that need to be addressed.

Despite high employment levels, wages in the region are lower than the national average, with almost one in four jobs earning below the Real Living Wage. Furthermore, 22% of neighbourhoods rank among the most deprived in the country. The Heart of the South West Local Enterprise Partnership (LEP) is committed to addressing these inequalities and fostering inclusive growth, with a focus on four priority areas: good businesses and jobs, good skills, good housing, and good health.

In response to these challenges, the LEP is exploring the potential of a social impact investment fund for the Heart of the South West. This initiative aligns with the LEP's commitment to support businesses, individuals, and communities in the region, promoting resilience, innovation, and sustainable development. The fund aims to contribute towards delivering inclusive growth in the area. As the LEP progresses through its transition, it is our hope that this report serves as a valuable tool in establishing the opportunity around social impact investment in the region, irrespective of the delivery architecture. Other areas have capitalised on this opportunity, and there's every reason to believe the Heart of the SW area can do the same.

Social impact investment is the use of finance to achieve a social and financial return. Social impact investment can help charities and social enterprises in a range of ways; by providing working capital to even out cash flow (e.g. between contract payments or grants), or by enabling organisations to create new, extended or different ways of delivering goods and services, such as purchasing property or investing in equipment or staff.

Place-based social impact investment has been effectively utilised in a growing number of areas across the country as a catalyst for initiatives aimed at addressing significant local challenges. This approach unites diverse 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.

Big Society Capital, the leading financial institution dedicated to social impact investment in the UK, estimates amount of social impact investment in the UK has grown nearly ten-fold over ten years, from £830 million in 2011 to £79 billion in 2021.²

This report will explore the potential of a social impact investment fund for the Heart of the South West area, drawing on examples of place-based social impact investing such as Bristol & Bath Regional Capital, North East Social Investment Company, and Kindred CIC. These examples demonstrate the transformative power of social impact investment in addressing social challenges and fostering inclusive growth.

Context to this work

Heart of the South West LEP is a private-public partnership whose mission is raising productivity and ensuring prosperity for all, set out in their Build Back Better plan³.

The LEP covers the local authority areas of Plymouth, Torbay, Devon and Somerset and seeks to achieve its mission through influencing policy and by securing investment into the area.

The LEP supports the definition of inclusive growth developed and shared by many organisations, including the Inclusive Growth Commission⁴,

"enabling as many people as possible to contribute to and benefit from economic growth within the Heart of the South West area".

This definition is based on a strong and comprehensive evidence base and understanding of the challenges and opportunities people face. Through this process, four priority areas have been identified around fair access to and creation of more: good businesses and jobs, good skills, good housing, and good health.

In this context, the LEP is keen to envision what a social impact investment fund could resemble for the Heart of the South West area and how it might drive inclusive growth in the region, irrespective of any changes in local structures which may emerge from the LEP transition currently underway. Beyond the immediate considerations, it is our hope that this report serves as a valuable tool in establishing the opportunity around social impact investment in the region, irrespective of the delivery architecture. Other areas have capitalised on this opportunity, and there's every reason to believe the Heart of the SW area can do the same.

² <https://bigsocietycapital.com/latest/investment-in-social-impact-increases-nearly-ten-fold-in-ten-years-as-social-issues-exacerbated-by-the-cost-of-living-crisis/>

³ <https://heartofswlep.co.uk/growing-our-economy/build-back-better-plan/>

⁴ 'Making our economy work for everyone' – Inclusive Growth Commission

Background to the research

AchieveGood, commissioned by Heart of the South West LEP, undertook a research exercise to explore the key social challenges faced by the region.

Together with desk-based research, AchieveGood conducted a series of structured interviews with key stakeholders from the public, private and third sectors. In addition, wider stakeholders, and community members have fed into the research via a public co-design survey. The wealth of insights garnered from interviewees and submissions have been invaluable, and our thanks go to each of the contributors.

The table below shows the individuals and organisations contributing to stakeholder interviews.

Table 1 – List of interviewees.

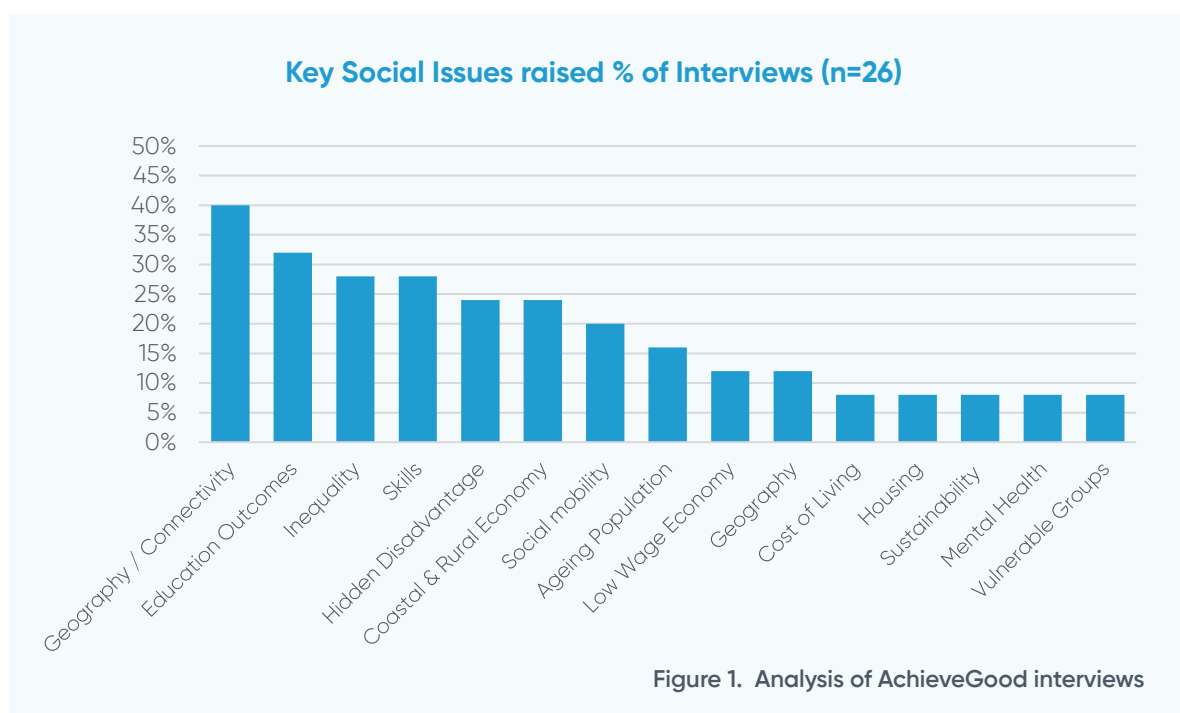
Name	Organisation
Adam Chambers	Smart Outcomes Ltd (& Cosmic Board member)
Andrew Dean	Exeter University
Anna Peachey	Plymouth City Council
Anne Marie-Sim	Exeter University & social mobility paper co-author
Ben Cooper	Tech South West
Ceri Goddard	Devon Community Foundation
Christine Allison	South West Investment Group (SWIG)
Daniel Brewer	Resonance Bristol
David Bird	ISCA Ventures & HotSW LEP
Dirk Rohwedder	School for Social Entrepreneurs
Ed Rowberry	Bristol & Bath Regional Capital
Eifion Jones	HotSW LEP
Gareth Hart	Iridescent Ideas
Hannah Sloggett	Nudge Community Builders
Jenny Milligan	University of Plymouth
Jessica Prendergrast	Onion Collective
John Siddall	South West AHSN
Jonathan Snicker	Exeter University
Julie Hawker	Cosmic
Justin Sargent	Somerset Community Foundation
Karl Tucker	HotSW LEP Chair
Keri Denton	Devon CC
Lindsay Hall	Real Ideas Plymouth
Matt Bell	Plymouth Octopus
Pam Barrett	Be Buckfastleigh
Paul Crawford	LiveWest & HotSW LEP
Paul Hickson & Julie Readers-Sullivan	Somerset Council



As well as a series of stakeholder interviews, a call for evidence was initiated to engage with social sector organisations and a broader range of stakeholders. This outreach was promoted via the council website, through local networks such as CVS and Social Enterprise East of England and disseminated on social media and through various stakeholder channels. This foundational data has not only informed our current work but has also cultivated a robust network for potential future collaborations. Building on this, our efforts have been enriched by the comprehensive research on Social Mobility conducted by the University of Exeter and the invaluable insights gathered by the Heart of the South West LEP. Together, these resources underscore the depth and breadth of understanding we aim to bring to the challenges and opportunities in the region.

Key issues

The Heart of the South West area faces a myriad of interwoven social challenges. Whilst some issues, such as the low-wage economy, are symptomatic of wider underlying problems, others, like the region's distinct geography, serve as foundational causes. These influence various aspects, from transport to economic opportunities, creating a cascade of interconnected challenges. The region's rich history, culture, and policy add further complexity to this landscape. Our analysis, though comprehensive, is not intended to be exhaustive. Instead, it seeks to shed light on some key challenges, drawn from stakeholder insights and in-depth research in the summer of 2023. The ultimate goal is to foster an understanding through which the opportunities for impact investing can be discerned.



GEOGRAPHY AND CONNECTIVITY

The Heart of the South West area faces unique connectivity challenges rooted in its geography.

The expansive and diverse terrain combined with limited public transport networks often results in long and costly commutes, making the pursuit of education or work opportunities more challenging. This vast landscape, along with a dispersed population, can lead to feelings of isolation and present hurdles to consistent public and commercial service delivery and infrastructure development. Low density populations can make investment impractical or unattractive.


< 16%
of graduates
retained in
the area after
graduation

One of the most pressing concerns is the 'brain drain' phenomenon. The region witnesses a significant outflow of talent as many seek opportunities elsewhere, exacerbating skills gaps and limiting local enterprise. For example, Exeter University sees less than 16% of graduates retained in the area after graduation⁵. This is further impacted by the region's predominantly coastal and rural nature. While these areas offer their own unique charm, they come with their set of challenges, from the seasonal economies of coastal areas to the limited services available in the more remote rural settings.

Youth, especially those in disadvantaged areas, often find themselves with a narrower set of life opportunities compared to their counterparts in more connected regions. This limitation is not just in terms of physical connectivity but digital as well. For instance, while a large portion of the UK enjoys robust broadband access, areas like mid-Devon significantly lag behind (77% vs 96% nationally⁶).

Furthermore, the South West stands out as England's second least ethnically diverse area⁷. This lack of diversity can influence its cultural, economic, and social dynamics and is a reflection of the challenge of attracting talent to the region.

The challenges around geography and connection can also create barriers for businesses to attract talent and investment as well as for job seekers to access opportunities where the time, cost and unreliability of commuting is significant.

While some of these challenges will take significant infrastructure investment to overcome, there are increasing opportunities through the emerging digital economy and remote working, as well as the benefits in terms of natural resources the geography provides.



⁵ <https://exeter.gov.uk/council-and-democracy/council-information/skills-strategy/>

⁶ https://www.ofcom.org.uk/__data/assets/pdf_file/0026/186407/connected-nations-2019-england-report.pdf

⁷ <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/regional-ethnic-diversity/latest>

LOW PRODUCTIVITY IN A COASTAL AND RURAL ECONOMY

Coastal and rural communities, particularly in the South West, face unique challenges that are often overshadowed by the focus on urban areas.

These challenges, ranging from housing affordability to the impact of tourism, have profound implications for the residents of these areas.

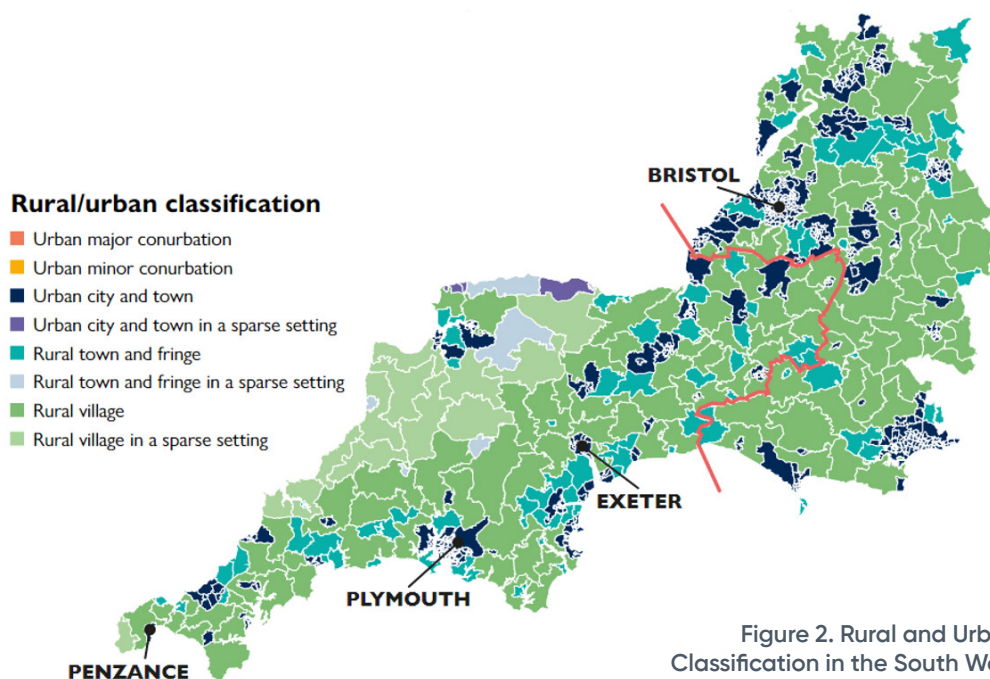


Figure 2. Rural and Urban Classification in the South West



Housing Crisis in Coastal and Rural Areas

The escalating housing crisis in rural and coastal communities is a pressing concern. Affordability issues arise from a chronic housing shortage, disproportionately affecting those with low-income. In tourist hotspots like Devon and Somerset, the situation is exacerbated by the prevalence of second home ownership, holiday rentals, and Airbnb lettings. For instance, in Devon, there are 22 times more holiday lets than rental properties. This disparity forces local residents out of areas they've lived in for generations, breaking community ties and support networks. The demand for social housing in rural areas is growing at a rate ten times faster than in urban areas. In Devon alone, clearing the current housing backlog would take over 32 years, even if no new applications were made.



Impact on Local Services and Community

The surge in holiday lets and the decline in long-term rentals have ripple effects on local services and the community. Areas like Salcombe in Devon struggle to recruit volunteers for essential services like the lifeboat crew due to the dwindling number of locals⁸.

⁸ <https://www.middevonadvertiser.co.uk/news/parliament-speech-reveals-shocking-extent-of-devons-housing-crisis-628475>



Low Wage and Low Productivity Economy

The region faces significant monetary challenges, characterised by a low-wage, low-productivity economy. Despite having an employment rate of 78.7% – one of the highest in Europe – the region's economic growth has stagnated over the past five years. Projections indicate that by 2025, the South West economy will be 1.9% smaller than its pre-Covid size, equating to a mere 1% growth per annum.

78.7%
employment rate

1%
projected
economy growth
by 2025

98.3%
of businesses are
small or micro-
organisations

1/4
individuals earns
below the Real
Living Wage

A closer look reveals disparities between rural and urban areas and the impact of high reliance on tourism, agriculture service industries which provide predominantly low wage employment⁹. Productivity in the South West's rural regions is 8% lower than its urban counterparts and lags by 10% when compared to the average productivity of rural areas across England. This is compounded by the fact that rural areas in the South West have a high concentration of self-employment, micro, and small businesses, which typically provide less job and income security and low wages. A staggering 98.3% of businesses in HotSW are categorised as small or micro-organisations. Furthermore, 75% of the self-employed individuals in the region earn an annual income below £15,000.

Wage disparities are a pressing concern. One in four individuals in the region earns below the Real Living Wage. Crucially growth in employment, rather than translating to economic prosperity, has led to increased levels of in-work poverty. Additionally, 22% of neighbourhoods in the South West rank among the 10% most deprived nationally. Gender wage disparities persist, with female earnings in the region standing at 84.5% of male earnings, slightly above the national average of 83.8%.

Looking ahead, the health and social care sector is poised to generate more 'new' jobs than any other sector over the next decade. However, there are looming

Gross weekly pay for low-paid workers (£)

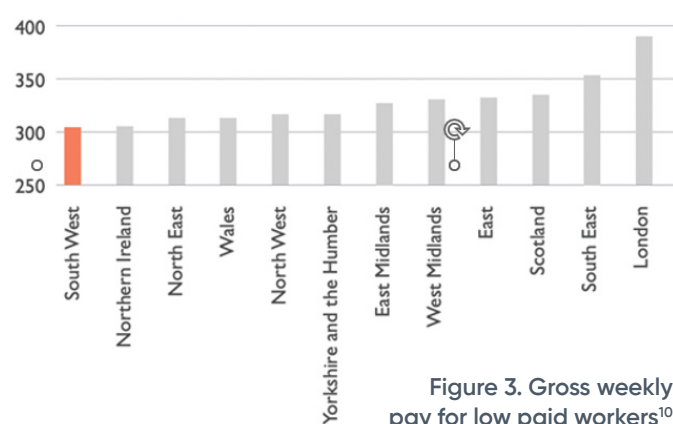


Figure 3. Gross weekly pay for low paid workers¹⁰

challenges, such as the threat of automation. In Somerset alone, 26.8% of jobs are at risk due to automation.

In conclusion, the Heart of the South West region, despite its high employment rate, grapples with a low wage, low productivity economy. Addressing these challenges requires comprehensive strategies that not only boost economic growth but also ensure that growth is inclusive and benefits all residents.

⁹ <https://skillslaunchpad.org.uk/wp-content/uploads/2022/06/Local-Skills-Report-Annex-A-Core-Indicators-2022-15-June-2022.pdf>

¹⁰ NOMIS data, accessed 01/03/2022 – from Annual Survey of Hours and Earnings – resident analysis reproduced from Social Mobility in the South West Report

SOCIAL MOBILITY

There has been a growing understanding of the challenges around social mobility in the South West region.

In April 2022, Dr Anne-Marie Sim and Professor Lee Elliot Major authored a significant report titled "Social Mobility in the South West: Levelling up through Education" from the Centre for Social Mobility at the University of Exeter¹¹. This report delved deep into social mobility issues, particularly focusing on the role of education in levelling up opportunities.

The report highlighted the significant challenges in the region in terms of social mobility:

- **School attainment gaps between poorer pupils and the rest are the largest of all English regions at the end of both primary and secondary school;**
- **40% of disadvantaged pupils attained a standard pass in GCSE English and Maths in 2019 compared with almost 60% in Inner London;**
- **17% of disadvantaged students went on to university in 2018/19 – the lowest rate of all English regions – compared with 45% in London;**
- **Upward occupational mobility was the 3rd lowest of 19 regions in 2015, and West Somerset ranked bottom of 324 local authority districts in the Social Mobility Index.**

By age 11, children in the South West are already lagging behind their counterparts in other English regions. As they get older, they are less likely to pursue higher-level apprenticeships or higher education.

This has long-term implications, with many young adults in the region finding themselves in unskilled employment, leading to lower average incomes compared to other parts of the country.

Establishment of the Social Mobility Commission

Following the 2022 report on social mobility in the South West, the South-West Social Mobility Commission was established as a pivotal initiative to drive transformative change in education and employment outcomes for disadvantaged young individuals in the South-West peninsula. This commission represents a coalition of passionate and committed civic leaders from across the region. These leaders have dedicated their time and efforts over a span of three to five years to ensure the successful implementation and realisation of the commission's objectives.

Chaired by Sir Michael Barber, the commission's primary objectives are to enhance educational opportunities, improve employment prospects, and ultimately uplift the socio-economic conditions of the disadvantaged communities in the South-West¹².

¹¹ https://www.exeter.ac.uk/media/universityofexeter/newsarchive/researchgeneral/Social_Mobility_in_the_South_West_Report.pdf

¹² <https://www.exeter.ac.uk/about/south-westsocialmobilitycommission/>

Furthermore, the commission has released an Introductory Report¹³, which provides an updated overview of the current challenges faced by the region in terms of social mobility:

- The South-West has the fewest children from disadvantaged backgrounds reaching expected levels in reading, writing and maths at age 11 of any region – just 37%, compared with 53% in London;
- The region also has the fewest young people from any background going on to Level 4 or above in education or training (which includes higher education and higher-level apprenticeships). Progression rates amongst those from disadvantaged backgrounds are just 50% in the South-West, compared with 76% in London;
- Meanwhile, young adults in the South-West peninsula are more likely to be in unskilled work than their peers elsewhere in the country: every parliamentary constituency in the peninsula has a higher proportion of 25 to 34-year-olds in unskilled work than the England average.

The report does more than simply describe the challenge, it goes on to outline a strategic roadmap to address these issues. The agenda includes:



Understanding Barriers:

Collaborating with partners to address obstacles children and families face;



Advocacy:

Presenting evidence to regional entities to prompt action;



Best Practice Guidance:

Creating guidelines from insights for effective solution implementation;



Immediate Plans:

Finalising a strategy by year-end with programme rollouts the following year;



Engagement:

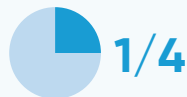
Seeking feedback from key groups to maintain open dialogue.

¹³ <https://news.exeter.ac.uk/wp-content/uploads/2023/07/South-West-Social-Mobility-Commission-2023-Report.pdf>



HEALTH AND DEMOGRAPHIC CHALLENGES

The Heart of the South West area (HotSW) is experiencing a pronounced demographic shift, with its ageing population outpacing the national trend.



1/4
of the UK's
population will be
aged 65 or over
by 2046

54%

of deaths in
coastal region
are caused by
unhealthy lifestyle

20%+

of population in
Somerset have
disability

12.5%

of residents in
Devon often
or always feel
isolated

By 2046, a quarter of the UK's population will be aged 65 or over. However, HotSW is already ahead of this curve, with its ageing population dispersed across its vast coastal and rural expanse.

In 2018, one in four individuals in HotSW was aged 65 or older. Projections indicate that by 2041, this ratio will rise to almost one in three. This ageing trend is particularly evident in areas like Plymouth, where the 65+ population is expected to surge by 32.7% from 2016 to 2034. Such demographic changes present challenges, especially when coupled with the region's health disparities. The difference in life expectancy between the area's most and least deprived wards stands at a stark 6.7 years.

Coastal and rural communities in the South West also grapple with some of the most adverse health and well-being outcomes. Factors such as poor diet, lack of exercise, tobacco use and excessive alcohol consumption are prevalent risk factors, contributing to 54% of deaths in coastal towns and cities like Plymouth. In Somerset, certain communities report over 20% of their population with a disability (compared to 11% nationally) and 7.7% of adults are registered with GPs for depression.

Furthermore, the region's vast geography and the separation of its rural areas contribute to social challenges. In Devon, rural communities report higher than average levels of loneliness, with 12.5% of its residents often or always feeling isolated.

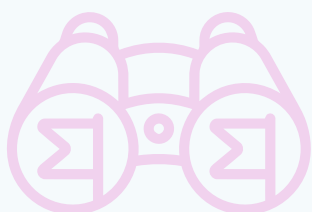
In addressing these health and demographic challenges, it's essential to consider the broader theme of connectivity. The region's vast geography underscores the importance of innovative solutions that bridge divides, ensuring that investments don't perpetuate existing separations. Bioregional approaches can ensure cohesive decision-making that benefits the entire region. Moreover, with the ageing population dispersed across coastal and rural areas, there's a pressing need for inventive transport solutions and enhanced digital connectivity to foster greater community cohesion and access to essential services.

Aligning with local visions

Any efforts to introduce a place-based fund and tackle the social issues identified here through such a fund must be aligned to existing efforts where they are working and avoid duplication.

Much work is underway, and strategies are in place to aid growth in the region as well as dismantle barriers faced by vulnerable communities. Existing public, private and third sector efforts should be aligned with and enhanced wherever possible.

THE OBJECTIVES OF THE HEART OF SOUTH WEST LEP



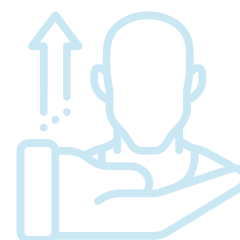
The vision of the Heart of the South West LEP is

“to create a dynamic, highly prosperous region with high living standards and an outstanding quality of life; and our mission is to raise productivity and ensure prosperity for all”¹⁴.

As a thought leader influencing economic development, the LEP aims to deliver a transformational rise in productivity; step-change in strategic connectivity; raised productivity through inclusive growth; and natural capital that surpasses current levels.

In autumn 2021, the LEP Board and local authorities agreed a definition of inclusive growth for the area:

enabling as many people as possible to contribute and benefit from economic growth, both socially and at the place level.



They identified four priority areas around fair access to and the creation of more:

1

**good
businesses
and jobs**

2

good skills

3

**good
housing**

4

**good
health**

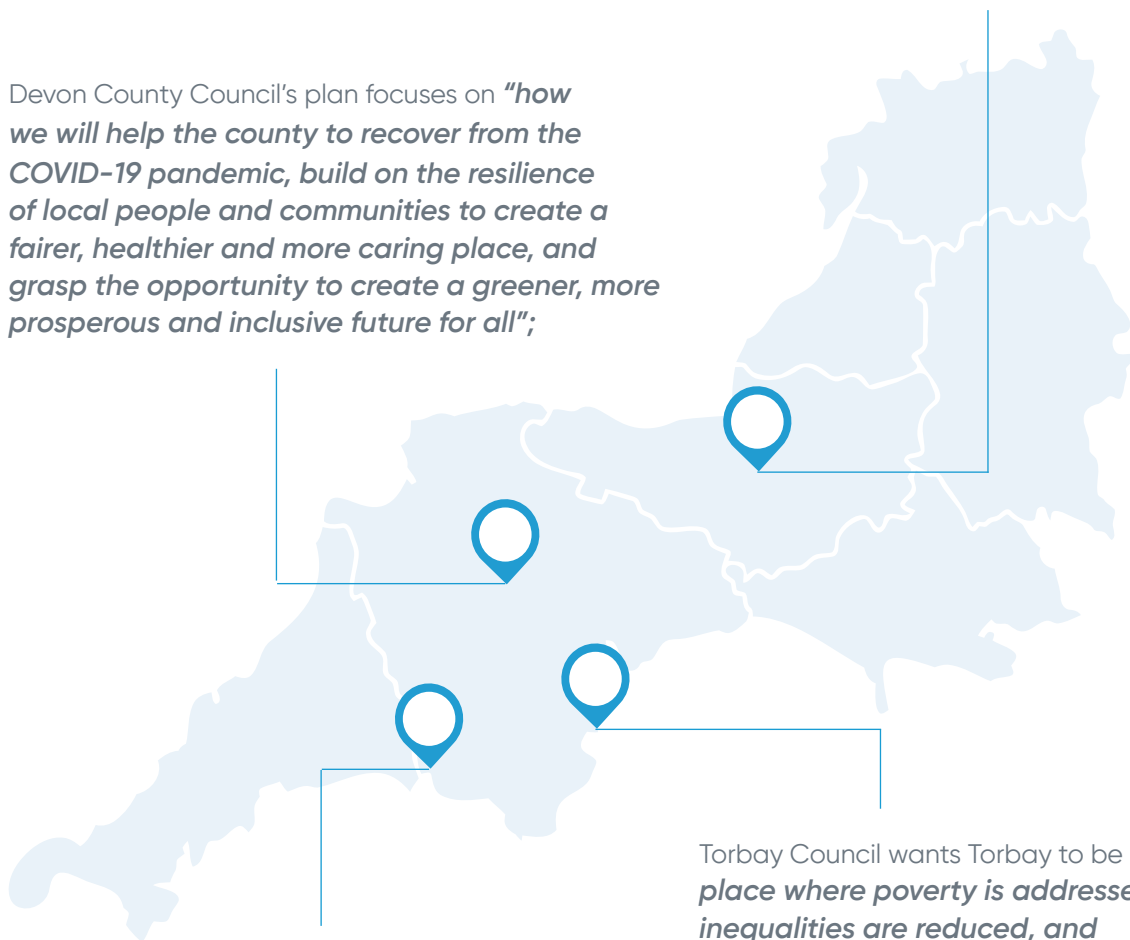
¹⁴ <https://heartofswlep.co.uk/growing-our-economy/build-back-better-plan>

SHARED LOCAL VISIONS

Across the region, there are shared visions for inclusive growth and shared prosperity:

Somerset Council's overarching vision is for ***"Somerset to be a fairer, greener, more resilient, and flourishing county that cares for its most vulnerable residents and actively listens to its community"***. The council is dedicated to making Somerset a county of opportunity for all. They acknowledge the disparities in the quality of life based on residents' backgrounds and are committed to reducing these inequalities. The aim is to ensure that everyone in Somerset can live their lives as they choose, with a particular focus on improving access to essential services, education, and opportunities for all.

Devon County Council's plan focuses on ***"how we will help the county to recover from the COVID-19 pandemic, build on the resilience of local people and communities to create a fairer, healthier and more caring place, and grasp the opportunity to create a greener, more prosperous and inclusive future for all"***;



Plymouth City Council envisions the city as ***"Britain's Ocean City,"*** with the ambition of becoming one of Europe's leading waterfront cities that offers an exceptional quality of life for all its inhabitants. Their mission is clear: they are dedicated to ***"Making Plymouth a fairer, greener city"***, and believe in a collective approach where every resident contributes to this overarching goal

Torbay Council wants Torbay to be ***"a place where poverty is addressed, inequalities are reduced, and aspirations are high for all ages"***. They aim to provide quality jobs, good pay, and affordable housing, and to stand out as the UK's premier resort with a vibrant arts and cultural scene. Additionally, they are committed to celebrating their environment and addressing climate change. Their mission is to be a Council that supports, enables, and empowers its residents, communities, and partnerships.

About place-based social impact investing

Place-based social impact investing refers to the local deployment of social impact investing – that is, investments made with the intent to yield both financial and social and/or environmental returns – to address the needs of local communities.

Charitable foundations, public bodies, private investors, and others can affect beneficial changes in their city, county, or region through their direct social and impact investments and by influencing larger systemic changes by influencing other forms of capital and empowering local social entrepreneurs and community stakeholders.

Whilst this definition is broad, a few key points are at the heart of what it means to us. As Big Society Capital say, place-based social impact investing is all about connecting investment to the context of each place. Front and centre are:

- The **strengths** of each place, its networks, its organisations, and its communities;
- The **needs** of the place and especially of the people who live there;
- An **alignment of resources** from partners to do more together than we can apart;
- An aim to **increase appropriate capital** for the business models which create impact alongside and for their communities; and
- The creation of **long-term, dedicated capacity** (that builds local ownership to take their future success into their own hands).¹⁵

In the UK, place-based social investment is starting to gain traction. Big Society Capital and Bristol City Council are cornerstone investors in City Funds, a place-based social impact investment fund aiming to address the causes and effects of inequality, while generating a financial return for its investors. This is unsurprising as the place-based agenda has been established for many years and is reflected and reinforced in many ways (e.g. through the Localism Act 2011, the Public Services (Social Value) Act 2012, and the Civil Society Strategy 2019, among others).

The Good Economy jointly founded the Place-Based Impact Investing (PBII) Project, together with the Impact Investing Institute, along with Pensions for Purpose to explore how to scale-up institutional investment into opportunities that enhance local economic resilience, and sustainable development. This has been given further momentum by the Government's Levelling Up agenda.

International examples include the USA's Arkansas Community Foundation's US\$1 million investment into Communities Unlimited to enable small business loans in rural and low-income communities within the state; the Humboldt Area Foundation's social loan agreement to develop and build the Eureka Community Health and Wellness Centre in Eureka, California; the Louisville Impact Capital Fund that's invested US\$1.1million into community projects; and more.

¹⁵ Big Society Capital: Is place-based investing the place to be? <https://bigsocietycapital.com/latest/place-based-investing-place-be/>

Barriers to place-based social impact investing

(adapted from the impact investing institute)



AWARENESS

Currently, many investors, including Local Government Pension Schemes (LGPS), rarely look at investments using a place-based lens. Out of longstanding practice, institutional investors allocate capital to the global capital markets without giving much thought as to whether allocations closer to home could deliver comparable returns and diversification whilst benefiting the development needs of members' communities.



FINANCING VEHICLES

Work needs to be done to design and create effective financing vehicles that can deploy Place-Based Social impact Investing – looking at funds for the short, medium and long term.



CAPACITY AND CAPABILITY

A critical universal requirement to scaling up place-based social impact investing is an increase in focus and operational resource across the ecosystem in a place. This is needed to create investment propositions, analyse these investments and aggregate them into viable funds. We need to think creatively and broadly about how we use financial tools and partnerships to deliver investments that benefit local places. Entrepreneurialism will have to play its part in finding the answers. Local government, cities and combined authorities will have an important role to play. They know their local priorities and investment opportunities. Ultimately, Place-Based Social impact Investing is about cocreation and collaboration.



IMPACT MEASUREMENT FRAMEWORKS

Impact measurement, management and reporting is a key feature of impact investing that provides transparency and accountability to all stakeholders as to the social, economic and environmental benefits of investments. Being aligned on the impact required is crucial.



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How place-based social impact investment and blended finance can help



There is something really interesting about the South West. People are interested in living a good life, rather than only making money. We live in a beautiful place, but we are also very aware of climate change and the fact that if we're not careful we could ruin that. West of Exeter we don't have lots of big industry and rural and coastal communities can be quite poor.

There are lots of interesting challenges, but for many, (there's) a real commitment to the place they have chosen to live and work in. And because there's a lot of space between people that tends to mean we are more prepared to work together. If you want to make something happen, you almost certainly can't do it on your own."



Lindsey Hall
CEO, Real Ideas

BUILDING ON ESTABLISHED LOCAL NETWORKS AND ECOSYSTEMS

The Heart of the South West region is home to a vibrant social enterprise ecosystem.

These enterprises are characterised by their primary social and/or environmental missions, earning income from trading, being controlled or owned in the interests of the business, and reinvesting or giving away their profits or surplus.

The 2021 Social Enterprise UK report gives an overview of social enterprises in the Heart of the South West Region¹⁶:

Overview of social enterprises in the South West

The average turnover for a social enterprise in the South West was £2.1 million, with the median turnover figure at £97,000. Whilst these figures are comparable to the national average, social enterprises in the South West were slightly less likely to have made a profit or surplus in the last year. This could be attributed to the region's reliance on sectors like tourism, which were heavily impacted by the pandemic.

¹⁶ <https://www.socialenterprise.org.uk/app/uploads/2022/06/SEUK-State-of-Social-Enterprise-South-West.pdf>

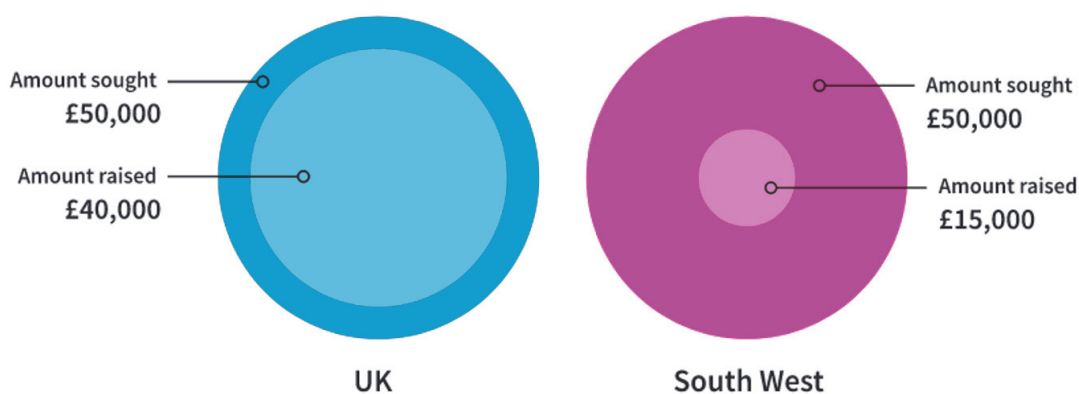
Areas of focus

Social enterprises in the South West have a particular focus on supporting older people and individuals experiencing homelessness or issues with affordable housing. Although there was less emphasis on employment overall, a significant number of social enterprises in the region aim to support people from disadvantaged groups into meaningful employment. Notably, 20% were seeking to employ people who experience discrimination due to their race/ethnicity, and 19% aimed to employ individuals with mental health issues.

Financing needs of social enterprises in the South West

Social enterprises in the South West have distinct financing challenges. Whilst over a third applied for finance in the past year (with the median finance amount sought being £50,000), nearly half did not consider it, and their success rate in obtaining funds was lower than the national average.

Amounts of external finance (excluding grants) sought and raised



Purpose of finance or capital sought

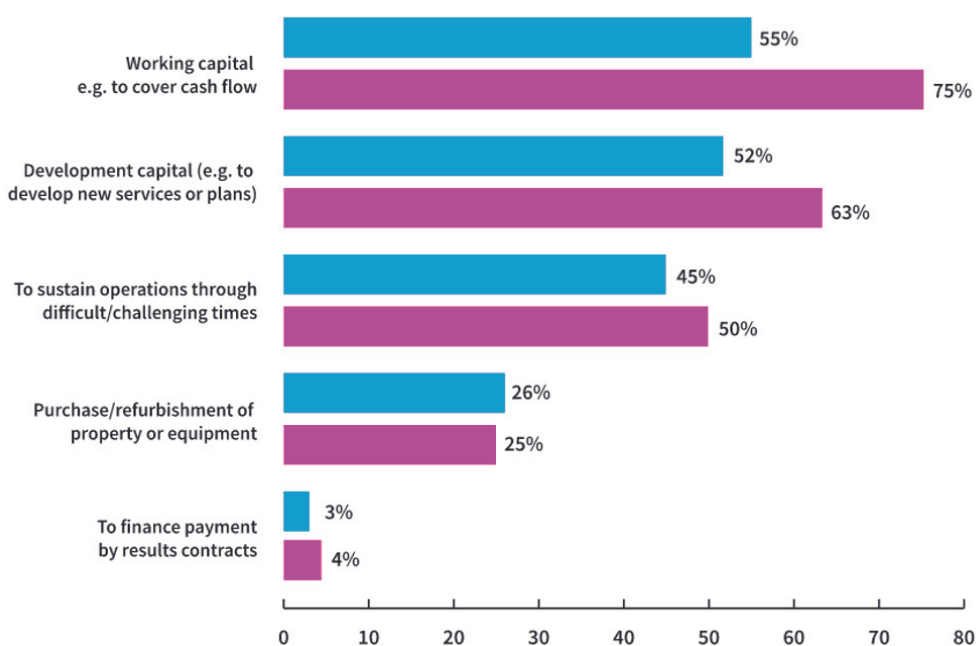


Figure 4. Social Enterprise UK Analysis

Key challenges include:



- **Time and resource constraints:** Many didn't apply for finance due to time pressures or lack of resources;
- **Confidence and skills gaps:** A significant number lacked the confidence or skills to pursue finance;
- **Finding suitable finance:** There were concerns about finding the right finance, with decision processes seen as lengthy and complex;
- **Finance sources:** While less likely to approach traditional banks, they leaned towards social investors, grant-making trusts, and venture capitalists;
- **Purpose of seeking finance:** Working capital was the primary reason, followed by development capital.

In essence, whilst there's demand for finance, various barriers hinder access. Addressing these requires skills enhancement, process simplification, and ensuring suitable finance options are available.

The survey above was conducted during the Covid-19 pandemic, and results are likely highly impacted by the unique challenges and funding opportunities that were available during this period. Due to this, the implications and current state of social ventures in the region will need further validation. This can be further explored in future phases of work.

Local social enterprise networks

The Heart of the South West region boasts a flourishing social enterprise ecosystem bolstered by several dedicated networks:



- **Plymouth Social Enterprise Network (PSEN)** offers a hub for social enterprises in Plymouth, championing inclusivity, diversity, and a socially enterprising economy¹⁷;
- **Somerset Social Enterprise Network (SSEN)**, with over 300 members, serves as Somerset's nexus for social enterprises, offering peer networking, training, and mutual support¹⁸;
- **Socially Enterprising Exeter** supports the city's growing community of social and community enterprises, facilitating networking and learning¹⁹;

¹⁷ <https://plymsocent.org.uk/>

¹⁸ <https://smartcommunities.online/services/ssen/>

¹⁹ <https://smartcommunities.online/services/ssen/>



- **Torbay Social Enterprise Network (TSEN)** focuses on fostering a fair and sustainable local economy in Torbay, providing members with networking opportunities, training, and promotional benefits²⁰;
- **Enhance Social Enterprise** had a notable impact in supporting the region's social enterprises. However, its short-lived nature underscores the need for sustained, long-term resources to continue supporting and nurturing the social enterprise community.

Whilst there are existing networks, there is an opportunity for better online collaboration, peer-to-peer support and access to resources, including on how to access and best utilise social investment.

Local capacity-building organisations in the South West

The South West region has evolved a vibrant ecosystem of capacity organisations and fund managers dedicated to supporting social enterprises, which includes:



- **Resonance:** A pioneering social impact investment company that helps social enterprises raise capital from like-minded investors. They work with social enterprises and charities to understand their capital needs, create suitable financial instruments, and connect them with investors who share their values. Resonance
- **School for Social Entrepreneurs (SSE) Dartington:** Since 2009, SSE Dartington has been offering tailor-made courses for social entrepreneurs in the South West. They provide a comprehensive package of support, including learning programmes, coaching, and networking events. They collaborate with local authorities, partners and funders to create their programmes. Some of their initiatives include the Devon Get Started programme, RISE Trade-Up Programme and Community Renewal Fund Start Up Programme. SSE Dartington
- **Iridescent Ideas:** A Community Interest Company (CIC) that provides business support for social enterprises and charities across the UK. They assist new businesses in establishing themselves and help existing ones grow. Their services include finding finance, developing business plans and evaluating impact. They also undertake contracts for councils, universities, and other partner organisations. Celebrating its 10th anniversary in 2021, Iridescent Ideas has been pivotal in supporting the social enterprise ecosystem. Iridescent Ideas
- **Plymouth Octopus Project (POP):** POP is a significant player in the Plymouth area, offering support and networking opportunities for local social enterprises. They focus on collaboration and partnership, aiming

²⁰ <https://localsparktorbay.org/social-enterprise-network/>



to strengthen the local voluntary, community and social enterprise sectors. Plymouth Octopus Project

- **Somerset Community Foundation:** This foundation plays a pivotal role in Somerset, supporting local charities, community groups, and social enterprises. They provide grants, expertise, and networking opportunities to help these organisations make a positive impact in their communities. Somerset Community Foundation
- **Devon Community Foundation:** Similar to its Somerset counterpart, the Devon Community Foundation offers support to local charities, community groups, and social enterprises in Devon. They provide grants, share expertise, and create networking opportunities, ensuring that these organisations can thrive and make a difference in their communities. Devon Community Foundation

There are also emerging opportunities to connect and support local social enterprises. Tech South West are currently building an online platform and community to support local businesses and provide guidance to access funding. Given the unique challenges and funding opportunities available to social enterprises, it is hoped there could be a distinct resource and community around this to connect social enterprises to appropriate finance and each other to facilitate peer-to-peer support.

Working with and supporting existing resources, relationships, and organisational capacity will be essential to the success and impact of any new fund.

BUILDING ON ESTABLISHED NATIONAL NETWORKS AND ECOSYSTEMS

There is a growing national ecosystem in support of place-based impact investing, with a number of organisations and initiatives supporting the development of funds across the UK.

These include:

- **Access – Foundation for Social Investment:** Access works to make charities and social enterprises in England more financially resilient and self-reliant, so that they can sustain or increase their impact, they offer a range of programme support as well as blended finance. In 2019 they launched a programme Local Access which looked to address barriers facing enterprises in developing resilient business models, such as the availability of suitable funding and specifically to support collaboration between organisations within places.
- **Big Society Capital:** Big Society Capital is an independent financial institution set up to design and shape a sustainable social investment market in the UK. It provides organisations tackling major social issues with access to new sources of finance by

investing in social investment finance intermediaries. These are organisations that provide appropriate and affordable finance to social sector organisations.

- **Impact Investing Institute:** Established in 2019 The Impact Investing Institute aims to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally. They have a specific workstream and knowledge hub supporting place-based impact investing.
- **Power to Change:** Power to Change is a charitable trust operating in England, created in 2015 with a £150 million endowment from The National Lottery Community Fund. The trust is solely concerned with supporting community businesses in England over a ten-year period, after which it will cease operating. They have supported the establishment of a number of place-based funds.
- **The Place-Based Impact Investing (PBII) Project:** The PBII Project was launched to explore how to scale up institutional investment focused on the opportunities of place. A six-month research programme – led by The Good Economy and backed by The Department for Digital, Culture, Media and Sport (DCMS), the City of London Corporation and Big Society Capital – culminated in the publication of a white paper on 26 May 2021 and built a powerful case to suggest PBII has the potential to become a new paradigm or lens for all kinds of investors.

Case Studies: Place-based funds

CASE STUDY 1: Bristol & Bath Regional Capital – City Funds



Bristol & Bath Regional Capital (BBRC) is a Community Interest Company (CIC) working with investors, local projects, enterprises, and the community to offer bespoke investment opportunities that provide social and financial returns and support local projects.

BBRC acts as Investment Adviser to the Bristol City Funds, a £10m impact investment fund with associated grant from the Access Foundation which launched in 2019.

The idea was seeded by the Mayor of Bristol, originally planning to aggregate the charitable contributions of businesses into a fund which would contribute towards shared efforts to reduce inequality and improve public spaces.

Figure 8 – Bristol and Bath Regional Capital and City Funds overview

BBRC worked with Big Society Capital to secure a £5m investment into the City Funds, contingent on match funding from Bristol City Council. The £1m Access Foundation was provided later. BBRC is owned and supported by a range of local stakeholders and can invest in national or global organisations, but they must be locally based and have significant local impact.



Figure 9 – Bristol and Bath Regional Capital and City Funds Example Investments

Example investments across BBRC

- Enabled a £9m project to build a new purpose-built community centre in an area that ranks among the 10% most deprived nationally.
- Invested in a £6m, 4.2 MW community-owned wind turbine that will provide clean energy for about 3,000 homes.
- Delivered 61 homes: 21 at discounted rent for key workers, 27 for long-term ethical market rent, and 13 Rent to Buy home



Latest developments

Following the success of Bristol City funds and in order to further address strategic priorities in the region BBRC has now tested a Co-Living fund, is exploring keyworker housing fund and is launching a £50m+ Net Zero fund.



CASE STUDY 2: Kindred



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 was formed by a group of local social entrepreneurs who came together to seek new ways of funding and making the change they wanted to see happen. They were supported by Power to Change. Kindred has been capitalised with a £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 and blended finance – social investment combined with grants – to enable STOs to grow both individual and collective social impact.



Latest developments

Working alongside Power to Change, Kindred is set on enhancing its investment capacity, with aspirations to boost social investment in the Liverpool City Region by £50 million over the next five years. This ambitious endeavour is projected to create approximately 4,500 jobs, reinforcing their dedication to nurturing a thriving socially-trading economy.

CASE STUDY 3:

Resonance health and wellbeing challenge fund



South West
Academic Health
Science Network



The South West Academic Health Science Network²¹ (South West AHSN) helps transform the way health and care systems in the South West identify, adopt and spread innovation to transform lives, improve population health, and drive economic growth. They chose to partner with local social investment fund manager Resonance to create the Resonance Health and Wellbeing Challenge Fund (South West), launched in 2017 and dedicated to promoting impactful social enterprises across the South West²².

The fund invested over £5 million into local social enterprises and focused on enhancing health and wellbeing. The fund has backed a variety of impactful ventures, from those supporting mental health to others aiding people with disabilities.

Impact

The fund was fully deployed, with £4.76m of direct investment and £335,000 of grants from the fund supporting 34 social enterprises delivering a range of further outcomes, including;



303 new jobs created;



41% of social enterprises invested in having a women-led board.

This fund was possible due to the combined efforts of the Growth Fund – a collaboration between Big Society Capital and The National Lottery Communities Fund, administered by Access. The South West AHSN's contribution of c£0.5m focused on the thematic areas and helped magnify the fund's impact and outreach²³.

²¹ <https://swahsn.com/>

²² <https://swahsn.com/blog/2023/07/26/annual-review-2022-23-a-milestone-in-transforming-health-and-care-through-innovation/>

²³ <https://resonance.ltd.uk/news/news/more-than-5million-investment-is-boosting-health-and-wellbeing-in-south-west>

Where social impact investing could help

Having identified a range of relevant issues, we have identified several programmatic areas where social investment could help by building on existing local assets, strengths and capabilities.

Before doing so, it is important to understand the conditions that are required for social investment to work and where it will not.



SOCIAL INVESTMENT: KEY CONSIDERATIONS

Social investment is fundamentally anchored in a solid business model that boasts sustainable income streams, ensuring the repayment of the investment. It should not be misconstrued as an alternative to grant funding. The success of such investments often hinges on two primary avenues: direct commissioning by public services, or, the willingness of consumers and businesses to pay a premium for goods and services, recognising and valuing the positive societal or environmental impact they have.

The nature and purpose of the social investment must be in harmony. The investment type should be tailored to support its use e.g. for working capital to address short-term operational requirements or long-term asset purchases. This necessitates investment managers to be both versatile and adaptive, ensuring they offer products that are tailored, considered, and flexible to the unique demands of social enterprises.

A notable challenge for many social enterprises is the presence of asset locks, which can impede access to mainstream finance. Given that founders often possess limited or no equity in their enterprises, their natural inclination is to be cautious, especially when it comes to offering personal loan guarantees.

Identifying thematic areas of investment

In the realm of social impact investing, identifying thematic areas of focus is paramount. Social impact investors can channel their resources more effectively by concentrating on specific themes, ensuring that their investments drive meaningful change and create a lasting impact.

Theories of change in social impact funds

A theory of change is a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. A well-articulated theory of change can serve as a roadmap for social impact funds, guiding investments towards achieving specific social outcomes. Best practices in this area include:

- 1 Clear articulation:**
Clearly define the long-term goals and then map backwards to identify necessary preconditions;
- 2 Evidence-based:**
Ground the theory in real-world data and research, ensuring that the interventions have a proven track record of success;
- 3 Stakeholder involvement:**
Engage with beneficiaries, communities, and other stakeholders to incorporate diverse perspectives and insights.

Focused investment

By zeroing in on thematic areas, investors can ensure that their contributions are coherent, leading to outcomes that are greater than the sum of their parts. This focused approach allows for:

- 1 Deeper impact:**
Concentrated resources in specific areas can lead to more profound and lasting changes;
- 2 Collaborative opportunities:**
Thematic focus can foster partnerships and collaborations, amplifying the impact;
- 3 Efficient resource allocation:**
Investors can allocate resources more efficiently by understanding where the greatest needs and opportunities lie.

Recommendations on what would make place-based social impact investment successful

- 1 Governance is key for place-based investment to work. We need to work at getting the right people from the right organisations in the governance. Having actors who are both city institutions and those embedded in the social enterprise scene is vital.
- 2 There is often agreement and clarity amongst stakeholders of what you want to achieve but differences on how to achieve it. Bringing real examples of what you might invest in can be helpful in figuring out the edges of where people overlap or don't. Fleshing this out is crucial – for an investment policy and guidance.
- 3 Local partners from the Community and Voluntary Sector are key for a pipeline, as is exploring where the gaps are on an ongoing basis.
- 4 Forming a team that includes a Director (who can lead) and a Financial Analyst (to support) is crucial. The Director must have experience of blended finance.
- 5 We need to continue to recognise the difference between leadership and coordination in place-based activity: leadership drives the initiative; coordination brings it together.
- 6 Newer fund managers often outsource fund management in order to leverage the expertise, credentials and regulatory expertise of others and to reduce cost.
- 7 For successful social sector place-based investments, there are sometimes three forms of grant alongside investment in a blended structure:
 - *Grant funding for design and launch and mobilisation;*
 - *Grant funding to subsidise initial fund management and pipeline development;*
 - *Grant blended with loan to enable loans to be more affordable.*
- 8 Crucial to any place-based organisation's initial success is to work in advance with potential investees about what investment and funding they need. It often takes longer to deploy than one thinks. We need to look at a timeline of six months from investments being approved to deployment.
- 9 Creating a place-based institution takes a lot longer than we think – both for its design and getting everyone on the same page.

Exploring thematic areas for impact investing in the heart of the South West



In our exploration of social impact investing in the Heart of the South West, we've focused on areas that address vital social challenges, align with the LEP's inclusive growth goals, and present tangible investment opportunities.

Drawing from successful regional and external initiatives, we've identified three key areas: Social Mobility, Health and Wellbeing, and Connecting Communities and Building Community Assets. The following sections will provide a deeper insight into each of these themes.

SOCIAL MOBILITY

Social mobility is a pressing issue in the Heart of the South West, but there's growing momentum to find tangible solutions. The region boasts viable impact business models, supported by established income streams from public funding and contributions from local employers. The shift towards digital working offers unique opportunities, especially in bridging geographical divides and providing access to education, training, and employment opportunities in more remote areas. Furthermore, several social enterprise models exemplify how impact investment can amplify social mobility outcomes, demonstrating that transformative change is achievable with the right investments and collaborations.

CASE STUDY:

West London Zone - improving social mobility outcomes



West London Zone (WLZ) is an innovative initiative that adopts a Collective Impact strategy to support children and young people in West London²⁴. Recognising each child's unique challenges, WLZ provides tailored support, ensuring that they can thrive academically and personally.

²⁴ www.westlondonzone.org

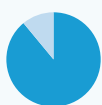
At the heart of WLZ's approach is the assignment of a Link Worker to each child. This dedicated professional support builds trust, sets personal goals with the child, and collaborates with local charities to deliver consistent, individualised support. By fostering strong relationships and understanding each child's needs, WLZ ensures that the support provided is both relevant and effective.

How social investment helped scale impact

WLZ's operations are primarily funded through Social Outcomes Partnerships. This innovative financing model ensures that repayments are made from the long-term public savings generated by the programme's positive outcomes. It's a sustainable approach that aligns financial incentives with social impact. To drive this transformative change, an investment of £1.9 million was made in WLZ²⁵.

Outcomes

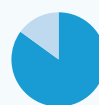
The results speak for themselves. Over a span of three years:



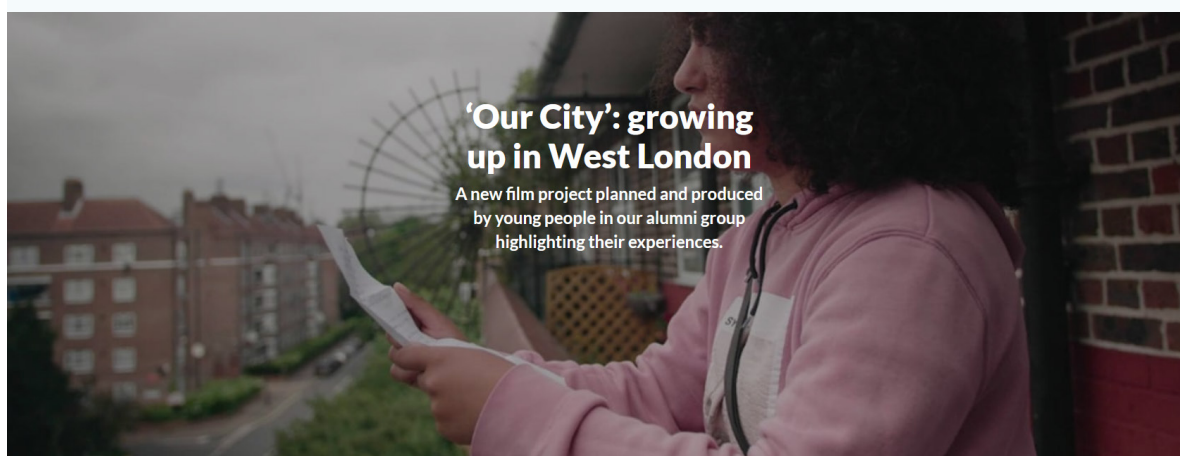
A remarkable **89%** of participants actively engaged with the support provided, surpassing the initial target of 75%;



Mental wellbeing was either achieved or improved for **68%** of the children;



A significant **85%** of participants either improved or reached their positive relationship goals.



In conclusion, West London Zone demonstrates the power of tailored support and innovative financing in driving positive change in the lives of young people. Their approach centred around understanding and trust, has delivered tangible results, and acts as a role model for similar initiatives worldwide.

²⁵ www.golab.bsg.ox.ac.uk/knowledge-bank/case-studies/west-london-zone

²⁶ <https://www.cosmic.org.uk>

CASE STUDY:

Cosmic – pioneering social mobility through digital inclusion



Cosmic, a leading social enterprise based in Devon, has championed the cause of digital inclusion for over 25 years. With a vision to inspire individuals to succeed in the digital realm, they offer various services, including digital skills training, website development, technical support, leadership development, and consultancy on digital transformation projects²⁶.

Impact on social mobility

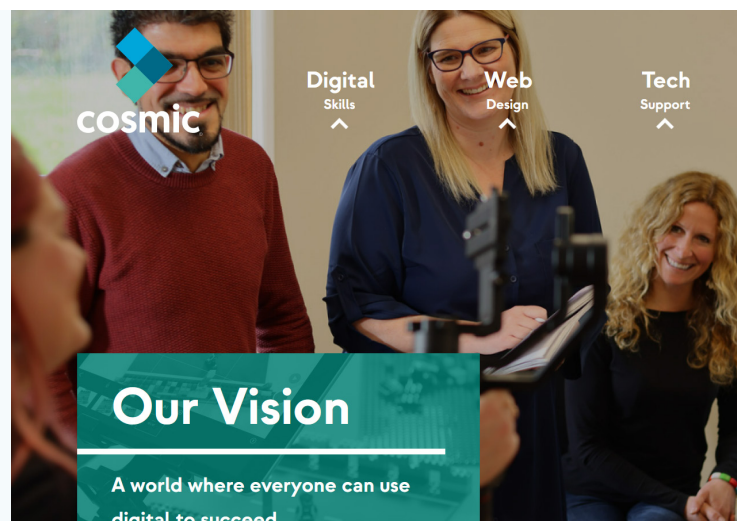
In today's digital age, lacking technological proficiency can significantly disadvantage individuals. Cosmic is resolute in addressing this gap, especially in Devon. The Covid-19 pandemic underscored the increasing demand for digital skills, as both employers and educational institutions pivoted towards technology and digital solutions. Recognising this shift, Cosmic identified opportunities to secure larger contracts, enabling them to expand their reach and impact.

How social investment helped scale impact

Despite Cosmic's established reputation, they faced hurdles in obtaining expansion loans from commercial banks and were unable to secure Covid-19 recovery loans without Guarantees. The directors, confident in the enterprise's growth potential, even contemplated using their homes as collateral despite no equity stake in the Company Limited by Guarantee (CLG). The Social Investment Business (SIB) stepped in at this pivotal moment. With a £100,000 loan from the Recovery Loan Fund (RLF), Cosmic was enabled to secure new contracts and grow thanks to this²⁷. Julie Hawker, Co-CEO of Project Cosmic, highlighted the Recovery Loan Scheme's importance, noting its crucial role in enabling social enterprises to maintain their impactful work, especially post-pandemic.

Outcomes

SIB's investment has set Cosmic on a path of significant growth. They sizeably increased turnover and are expanding their reach, with aspirations to amplify their social impact across the South West to equip tens of thousands with essential digital skills in the upcoming years.



²⁷ <https://www.sibgroup.org.uk/impact/project-cosmic>

²⁸ <https://five-rivers.org/about-us/social-enterprise/>

²⁹ <https://www.leaderscouncil.co.uk/news/five-rivers-child-care-ceo-wins-lifetime-achievement-award-for-services-to-children-in-care>

CASE STUDY: Five Rivers Child Care



About Us

Five Rivers Child Care is one of the UK's most experienced practitioner lead services in turning around the lives of vulnerable children and young people.

Welcome to Five Rivers

Throughout 30 plus years of providing therapeutic children's services with clinical, education provision alongside our residential homes and fostering families, we have a dedicated service to children and young people who are in need, creating an environment that nurtures and guides them to a meaningful future.

Established in 1989 by Pam McConnell, Five Rivers Child Care is a dedicated social enterprise headquartered in Salisbury, Wiltshire. As a holder of the social enterprise mark, they commit to reinvesting 51% of their profits back into services. They provide fostering and residential care services through their local offices in Bristol, Gloucester, and Somerset, ensuring tailored support for communities²⁸.



Impact

Five Rivers have consistently been recognised by Ofsted as a high-quality provider. Their founder, Pam McConnell, was recently honoured with the Lifetime Achievement Award at the National Children and Young People Awards²⁹. These accolades and their consistent positive outcomes underscore the significant impact that investable social enterprise models can achieve at scale, especially for the benefit of vulnerable children.

CONCLUSION

Addressing social mobility in early years education is difficult, and for social enterprise models, the challenge is compounded by the lack of income streams in the early education context to base models around. Initiatives like West London Zone show what is possible, but require capacity and resources to establish and the coordination and commitment of multiple commissioning authorities and wider stakeholders. This is the sort of ambition that a multistakeholder place-based investment organisation and the fund could aspire to but would not be quick to deploy.

In the short term, examples such as Cosmic and Five Rivers show that improved outcomes can be achieved through growing capacity with social enterprises delivering high-impact public services.

CONNECTING COMMUNITIES AND BUILDING COMMUNITY ASSETS

The South West is home to some of the most innovative examples of community asset development, pioneering new approaches to transform empty or derelict buildings into vibrant hubs connecting communities. Physical community assets, such as buildings are a proven area for social investment. They offer an asset to secure the investment against and opportunities to develop income streams by bringing them back into use with support of the community that can repay interest. Local fund managers such as Resonance have a strong track record of supporting local groups and organisations to take on property and helping to ensure there are robust enterprise models around.

CASE STUDY:

Nudge Community Builders – a catalyst for positive change

Nudge Community Builders is a social enterprise that focuses on revitalising local communities by acquiring and repurposing vacant buildings. Through their innovative approach, they aim to disrupt traditional property development models and create spaces that benefit the community directly.



How social investment helped

Social investment has been pivotal for Nudge. They have successfully raised £3.6 million in finance over five years, a significant achievement for a budding organisation. Community share offers at 3.6% over a 10-year period have been a primary source of this funding. These offers have attracted a mix of investors, from those looking for a return to those who want to support the community. The funds have enabled Nudge to acquire properties and initiate projects that have a tangible impact on the community.

What new products could help

- **Social impact fund:** A fund focused on social impact could provide the urgent, early-stage finance that Nudge requires. Such a fund could be place-based, ensuring that local organizations with a proven track record can access funds quickly.
- **Guarantor role:** Nudge has expressed interest in a guarantor model, where they could access funds from other sources but have them backed by a trusted entity.
- **Support for scaling:** As Nudge looks to grow, they face challenges in stepping up to larger projects. Support in the form of risk-taking investments that bring more money into the region would be beneficial.
- **Collaborative ownership models:** Partnering with private entities in a 50-50 ownership model could be a way to soften the edges of purely private development while ensuring community interests are at the forefront.

Impact

- **Bringing Life to Vacant Buildings:** Nudge has successfully acquired and repurposed several buildings, such as the Clipper, a former 24-hour pub. This building now houses two spacious flats and a ground-floor café area, providing both housing and business opportunities.
- **Support for Local Entrepreneurs:** The café area in the Clipper has been a launchpad for several businesses, offering a safe startup space with inclusive rent and bill packages. This has fostered local entrepreneurship, with businesses like Mariam's West African Food finding a home there.
- **Community Engagement:** Nudge has managed to bring together various stakeholders, from local residents to businesses, creating a collaborative environment. Their projects, like the Plot, offer community spaces that cater to diverse needs, from greenhouses to sheds.

CASE STUDY:

Oake district community shop and the Somerset Social Enterprise Fund



The Somerset Social Enterprise Fund (SSEF) is managed by the Somerset Community Foundation. Its backing comes from the European Regional Development Fund (ERDF), the Growth Fund, and Somerset County Council. With a commitment to stimulating enterprise growth, SSEF offers financial investment and capacity-building support, helping local social enterprises become more sustainable and offering communities the chance to manage vital assets.



Investment example: Oake District Community Shop

Supported by SSEF, the Oake District Community Shop stands as a vital hub in its area, offering key services and promoting local cohesion. The investment in Oake Shop helped sustain a vital community asset connecting the local community.

CONCLUSION

The projects highlighted, such as the Real Ideas Organisation in Plymouth³⁰ and others, such as the Onion Collective in Watchet³¹ are just a few examples of the transformative power of social investment in the region. Additionally, numerous smaller community investments in rural settings have been supported by Resonance through the now-closed Community Asset Fund³² and the currently active Community Developers Fund. This latter fund has already begun investing in community projects across three initial areas: Cornwall, Gloucestershire, and the North West³³.

The success of these projects underscores the significant role impact investing can play in the region. However, there are considerations to bear in mind. While some funds in this area have ventured into supporting affordable housing, the demand for such housing is so substantial that it warrants distinct consideration, potentially in the form of a separate fund. As illustrated by our case studies, there is an existing market of opportunities for investments to support shared community assets.

HEALTH & WELLBEING

The health and wellbeing of the Heart of the South West's residents are intricately linked with its economic and social fabric. The Resonance Health and Wellbeing Challenge Fund (South West) exemplifies the potential for impact investment in the region. The NHS and health care providers are major employers in the region, with health and social care poised to create more 'new' jobs than any other sector over the next decade³⁴, and with the high cost of inefficient healthcare delivery and poor health in the community, there are compelling reasons to focus in this area.

CASE STUDY:

Service Robotics LTD - GenieConnect



Service Robotics has developed GenieConnect®, a communication device designed to combat loneliness and coordinate health services for the elderly. This innovation supports independent living and reduces the strain on the care system. They have already successfully developed a market with care providers and secured investment of £0.2m which is designed to help catalyse their growth.

Impact

GenieConnect® is instrumental in maintaining family connections, ensuring consistent care, and fostering trust between care providers and their clients.

³⁰ www.realideas.org

³¹ www.onioncollective.co.uk

³² https://resonance.ltd.uk/images/uploads/media/Resonance_Community_Asset_Fund_Social_Impact_Report_2019.pdf

³³ <https://resonance.ltd.uk/get-investment/community-asset-funds/resonance-community-developers-fund>

³⁴ Heart of the South West Inclusive Growth Workshop May 2022

CASE STUDY:

Investment across resonance health and wellbeing challenge fund

There are a number of example investments from across the Resonance Health and Wellbeing Challenge Fund which demonstrate the impact organisation and initiatives that could be scaled with the right investment.

- **MiMe Heuristics CIC:** Spearheaded "The Wildings", a transformative project dedicated to uplifting the Southwest's most vulnerable and underprivileged families supporting young people in recovery³⁵.
- **NEDCare:** Founded to address the lack of care provision in North East Dartmoor, NEDCare is a community-led organisation that delivers CQC registered domiciliary care to over eighty individuals in this rural area. With an investment of £150,000 in May 2018, NEDCare expanded its workforce and extended its services throughout the region³⁶.



THIS INVESTMENT IS FULLY SUBSCRIBED

The Health & Wellbeing Challenge Fund (South West) is a unique partnership led by two South West organizations aiming to finance charities and social enterprises using innovating ways to solve health and wellbeing challenges in the region.

The Fund finances charities and social enterprises with a mixture of grants and loans, to help them turn their best ideas into large-scale solutions to big issues like dementia, obesity, social care and depression.

The Health & Wellbeing Challenge Fund is an impact investment fund created with investment from the Growth Fund and South West Academic Health Science Network (SWAHSN). The Growth Fund is a partnership between The National Lottery Community Fund and Big Society Capital, delivered by Access through a range of social investors. It makes up to £50m available to support charities and social enterprises to grow and create social impact in their communities. The Growth Fund uses a combination of grant funding, made possible thanks to National Lottery players, and loan finance from Big Society Capital and other co-investors, to address specific gaps in the social investment market.

CONCLUSION

Health and wellbeing have proven to be areas where impact investment can be deployed to address local issues and deliver impact. There are also existing providers and potential partners such as SWAHSN and Resonance, who know the landscape and opportunities well.

³⁵ <https://www.thewildings.co.uk/>

³⁶ <https://www.nedcare.org/>

Thematic areas identified and alignment to heart of the South West LEP inclusive growth objective

The Heart of the South West LEP has set inclusive growth objectives to foster a more equitable and sustainable regional economy.

These objectives serve as a guiding framework for investments that can drive positive social change. In this section, we explore thematic areas that align with these objectives, identifying specific investable opportunities that address pressing social issues and resonate with the LEP's vision for inclusive growth.

Table 2 – Mapping thematic areas to investable opportunities and inclusive growth objectives

Thematic Area	Examples of Investable Opportunities	Meets HotSW LEPs inclusive growth objectives
Social Mobility	Skills training and apprenticeship providers i.e. Cosmic Support for young people in care settings i.e. Five Rivers Outcomes Partnerships i.e. West London Zone (longer term)	> Good skills <i>Ensuring residents have access to training, re & upskilling opportunities</i> > Good jobs and businesses <i>Attracting and retaining high-quality jobs with progression pathways</i>
Connecting Communities & Building Community Assets	Community assets in urban settings i.e. Nudge Community Builders, RIO & Onion Collective In rural settings i.e. Village shops/pubs/ community centres and housing i.e. Resonance Community Fund investments Residential housing for disadvantaged people could also be an option, however the scale of funding required would be substantial and would be better considered a longer term opportunity)	> Good skills > Good jobs and businesses <i>Improving access to and the availability of high-quality, affordable homes</i>
Health & Wellbeing	Health Tech i.e. Genie Connect Mental health and Wellbeing i.e. "The Wildlings" Care providers i.e. NEDCare	> Good health <i>Reducing health inequalities and improving health outcomes across residents</i>

The identified thematic areas and investable opportunities present a clear roadmap for aligning investments with inclusive growth objectives for the region. By focusing on these areas, we can ensure that investments not only yield financial returns but also contribute meaningfully to the broader social and economic well-being of the region. It's essential to continually assess and refine these opportunities in response to evolving regional needs and the dynamic landscape of social investment.

Demand for a fund and social investment

The Heart of the South West has witnessed a growing interest in social investment.

Through our engagements, we've identified both the successes and challenges faced by social enterprises in the region:

- Conversations with various social enterprises have highlighted the transformative power of social investment in driving their missions forward;
- The region has successfully deployed several funds and initiatives, underscoring the potential of impact investment;
- On the flip side, some smaller local fund initiatives have encountered difficulties in deploying funds and ensuring the return of loans.

LESSONS FOR A NEW FUND

Drawing from these insights, several key lessons emerge for the development of a new fund:

- 1 Expertise and local knowledge:**
Deploying capital to maximise social impact is a nuanced task. It demands experience and a deep understanding of the local sector and potential opportunities.
- 2 Clarity in offerings:**
Funds must articulate their offers and products distinctly. This includes demarcating the boundaries between grants and loans and evaluating the appropriateness of capacity-building grants.
- 3 The importance of scale:**
While impactful funds can be established with less than £5m, as demonstrated by the Somerset Community Foundation, achieving this requires significant grant support and is challenging. A larger fund scale often translates to a more pronounced impact.
- 4 Identifying investable opportunities:**
A successful fund discerns where investable opportunities lie i.e. those that can benefit from capital and ensure repayment. It is crucial to align these opportunities with the aspirations of local investors, funders, and broader stakeholders.

In essence, the journey of social investment in the region underscores the need for a strategic, clear, and well-informed approach to fund development, ensuring that capital is deployed and creates lasting positive change.

Examples of comparable fund structures



Several existing fund models have been reviewed to better understand what operating model might best suit the Heart of the South West region.

Examples include Bristol and Bath Regional Capital's City Funds and Kindred in Liverpool.

BBRC MODEL & CITY FUNDS MODEL

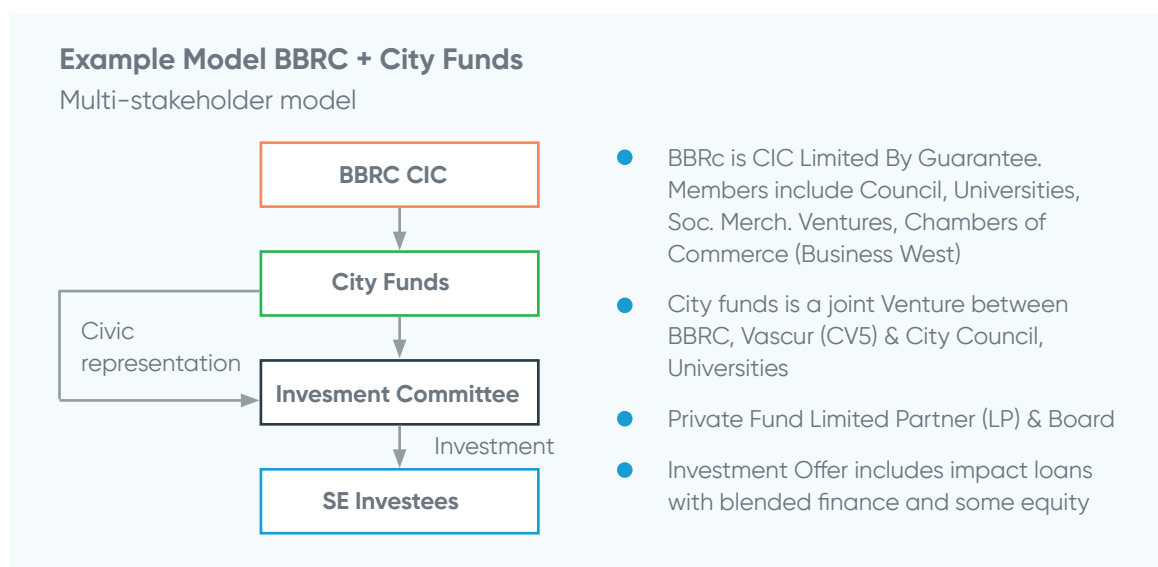


Figure 5 – BBRC and City Funds high level fund model

The BBRC model is based on in-house fund management undertaken by the BBRC CIC on behalf of City Funds. The relatively high costs of in-house management require a larger fund structure to provide economies of scale and BBRC is in the process of looking to establish larger enterprise funds.

KINDRED MODEL

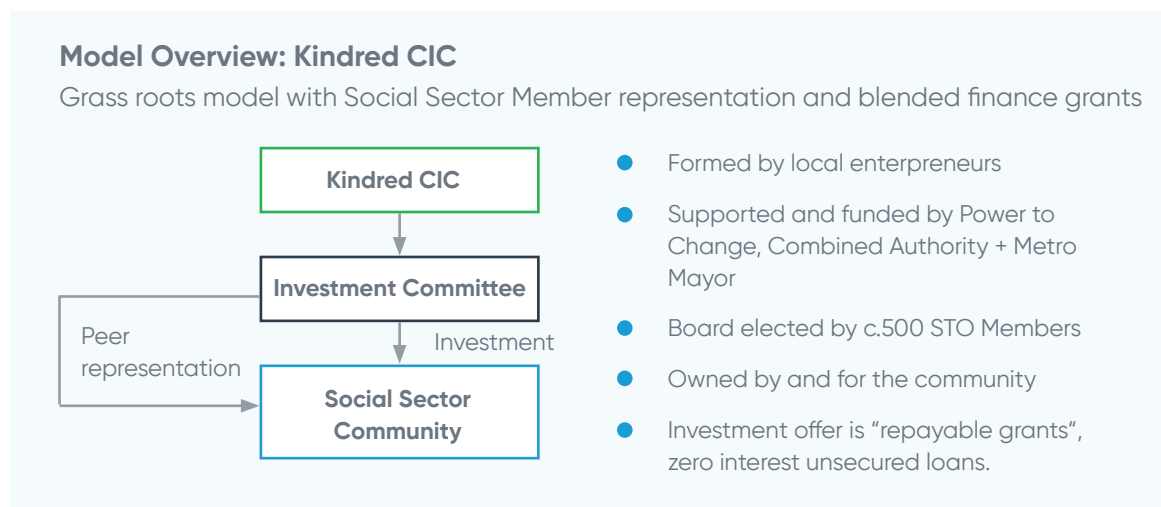


Figure 6 – Kindred high level fund model

The Kindred CIC model is much lighter. Kindred CIC appoints a peer Investment Committee. The arm's length CIC management company also involves participation from local social sector organisations, which is a model that could be considered in the Heart of the South West or a comparable alternative mechanism to ensure Social Sector participation, peer network and great trust and collaboration.

Opportunity: A model placed-based social impact investing fund or organization for the heart of the South West region

A place-based social impact investing fund or organisation for the South West provides an opportunity to engage a range of local stakeholders to tackle complex social and environmental issues facing the region, and to improve outcomes for all.

These stakeholders could support a fund through a range of mechanisms including financial contributions, governance, resources (such as facilities), networking and expertise in areas such as research, innovation, law and finance.

Stakeholders could include:

- Local government;
- Local corporate businesses
- Educational institutions such as universities;
- Local social sector organisations;
- Local social sector support organisations;
- Local resident associations;
- Local Government Pension Scheme (LGPS);
- Wholesale social investors such as Big Society Capital;
- Philanthropic supporters of the region;
- Community crowdfunding support for local residents and enterprises.



Figure 7 – Examples of local stakeholders that could support a potential fund.

This form of multistakeholder governance model is most similar to the existing model in Bristol and could work incorporate some of the features of both models in terms of fund management and social sector community participation.

Potential operating models for a fund in the heart of the South West

Establishing a sustainable fund hinges on a robust framework that addresses governance and fund management.

These two pillars are instrumental in ensuring the fund's longevity, impact, and alignment with its core objectives. Below, we explore the options available for each.

GOVERNANCE: ENSURING THE RIGHT OVERSIGHT

Governance is the backbone of any fund, ensuring that it operates with integrity, transparency, and in line with its mission. The governance board plays a pivotal role in setting the strategic direction and ensuring accountability. The choice of governance model can significantly influence the fund's direction, impact, and stakeholder engagement. Furthermore, any fund manager would need oversight from this accountable governance board.

OPTION 1. A New "Light Touch" Custodian to Manage the Funds.

Overview: Envision a nimble entity, established solely to oversee the fund, ensuring its objectives are met without the weight of a larger organisation.

Context: This approach mirrors the North East Social Investment Company (NESIC) strategy. NESIC was conceived following the closure of the Northern Rock Foundation. It was co-funded by notable entities such as Big Society Capital, Esmée Fairbairn Foundation, Joseph Rowntree Foundation, and Northstar Foundation, with the management entrusted to Northstar Ventures. The company set up a board comprising business leaders along with community and voluntary sector representatives. Their primary objective was to invigorate and nurture the market for social enterprise in the North East, fostering engagement with stakeholders. This example underscores the potential of a "light touch" custodian in effectively managing funds while actively promoting social enterprise.

Advantages: This model offers flexibility and can be tailored to the fund's specific aims. It's quicker to set up than a full-blown organisation and can minimise administrative overheads.

Considerations: Whilst agile, it might lack the capacity for more intricate fund management tasks, given its "light touch" nature. This might limit multi-stakeholder working and engagement with local businesses, government and commissioners, which we know is crucial to maximising the benefit of place-based initiatives.

OPTION 2. New Multi-Stakeholder Place-Based Organisation.

Overview: A purposefully designed and holistic approach to create a new organisation with multiple stakeholders at its core. These stakeholders may be involved in various capacities such as ownership, board membership, investment committee roles, and integral parts of the wider community, ensuring a broad spectrum of interests are represented. This is the model outlined in Figure 7 and is most similar to the model in Bristol.

Context: It allows for a comprehensive governance structure, aligning closely with local objectives and public service delivery. By tackling systemic issues and convening local stakeholders regularly, it has the potential for significant and lasting impact.

Considerations: It's the most resource-intensive, both in its establishment and ongoing management, but the potential rewards in terms of regional capacity and impact could be substantial. It is recognised that with LEP transition under way and future delivery arrangements as yet not confirmed, the timing for a model along these lines may be something as a longer term option, noting of course that waiting until all the stars are aligned means missing opportunities to help the area in the interim.

OPTION 2. Grant to an Existing Local / Regional Organisation.

Overview: Should a suitable organisation be identified, integrating the fund within its pre-established framework could offer an efficient governance solution. It is crucial that the chosen organisation genuinely represents the region's interests and is trusted to embody the values of key regional stakeholders.

Advantages: This approach would harness the organisation's inherent local expertise and potentially tap into its existing administrative resources. The rapidity of implementation stands out as a notable advantage, given the organisation's pre-existing governance mechanisms and stakeholder representation.

Considerations:

- **Representation:** Identifying a representative organisation that can provide the necessary governance and oversight to the fund is essential. There's a possibility that a suitable body with the necessary representation and capacity to be accountable for the fund might not be identifiable. Any organisation should meet key criteria;
- **Regional Alignment:** The organisation should be emblematic of the region, ensuring its decisions and actions resonate with local stakeholders and their priorities;
- **Capacity & Governance:** The organisation must possess the requisite capacity and robust governance mechanisms to manage the fund effectively. There may be an opportunity to review or enhance this;
- **Objective & Asset Lock:** It is crucial that the organisation has objectives and an asset lock that aligns seamlessly with the LEP's CIC status.

EXPLORING FUND MANAGEMENT OPTIONS

The success of a fund is as much about its ongoing management as its initial setup. A fund manager's role is crucial, encompassing the sourcing of opportunities, conducting due diligence, guiding investment decision-making, managing the portfolio of local deals, and reporting on impact. As the Heart of the South West considers its path forward, evaluating the different fund management strategies is vital. Here are three key approaches:

1 An In-House Approach:

Forming a dedicated team rooted in the region, attuned to its unique nuances and needs. By opting for in-house fund management, the emphasis is on a deeper connection to the region's ethos.



Strengths: This method fosters profound regional expertise, ensuring decisions resonate with local priorities. Direct oversight means the fund's objectives remain undiluted and central to its operations. It provides a greater opportunity to grow and expand to further funds.



Challenges: Such a hands-on approach demands resources. A committed team is essential, and the fund's size might need to be substantial to ensure sustainability and justify the overheads.

2 Collaborating with Specialist Fund Managers:

There are moments when expertise lies beyond immediate boundaries. Contracting a specialist fund manager taps into a reservoir of knowledge and experience. Within the region, entities like Bristol and Bath Regional Capital and Resonance emerge as leading figures in this domain.



Strengths: These fund managers bring a proven track record, and existing expertise and local networks as well as potentially offering strategies that can align with the fund's objectives. Their involvement also introduces potential co-investments, amplifying the fund's reach and impact.



Challenges: While their expertise is an advantage, there's a trade-off in terms of focus and influence. They will have commitments and resourcing requirements for existing funds to contend with.

3 Partnership with an Existing Fund:

Imagine a symbiotic relationship where the fund's objectives align with an existing entity, but with specific stipulations outlined in a side letter. This approach leverages existing structures while ensuring unique requirements are addressed.



Strengths: This model offers agility. With an existing framework in place, implementation is quicker, and setup complexities are reduced.



Challenges: While efficient, this strategy might offer limited bespoke control over the fund's broader impact and pipeline and additional complications in aligning deals. It's a balance of speed versus influence.

Conclusions

The Heart of the South West region is more than just a geographical entity; it represents a collective of aspirations, dreams, and potential. This report has delved into the myriad challenges and opportunities that the region faces, offering insights into the transformative power of strategic social investments.

From addressing social mobility to fortifying community assets and championing health & wellbeing, the avenues for impactful investment are vast. Yet, the true strength of the region lies not just in its opportunities but in its people. The stories, experiences, and aspirations of its residents underscore the importance of our mission.

As we look ahead, the call for collaboration resonates louder than ever. The synergy of stakeholders, investors, and community leaders is not just a desirable asset—it's a necessity. By harnessing this collective energy, the region can transcend its challenges, turning them into stepping stones towards a brighter future.

The journey ahead is filled with potential. With a shared vision, the right investments, and a commitment to inclusive growth, the Heart of the South West area can evolve into a model of sustainable development and community resilience. This report is not just a reflection of our current state but a guide towards our collective aspirations. By working together, we can craft a future that resonates with the true spirit and potential of the region.

Next Steps

The journey towards establishing a sustainable and impactful fund for the Heart of the South West is multifaceted.

The crucial next steps in turning this vision into a reality will need to focus on:



The emphasis will also be on selecting the right fund partners and ensuring a collaborative approach to project management, aligning all stakeholders towards a common goal.

If you would like to have a conversation to explore the themes in this report, opportunities for impact investment in the South West or developing place-based initiatives, please email hello@achievegood.com



Annex 1: Internal only content

POTENTIAL PRODUCT OFFERS FOR A NEW FUND

When shaping the product offer for the new fund, it's essential to strike a balance between ambition and practicality. The fund's size will naturally dictate its reach. A larger fund can diversify across sectors, while a smaller one might benefit from a sharper focus.

Choosing the right fund management partner is crucial. Their expertise should align with the fund's objectives, ensuring effective navigation of the investment landscape. A thematic approach, whether it's centred on social mobility or community assets, can give the fund a clear identity, attracting specific investor groups.

Diversification is key to balancing risk and returns. By spreading investments, the fund can cushion against market fluctuations. However, for smaller funds, simplicity is paramount. Reducing complexity by offering straightforward products can lead to more focused and effective investments.

So, what's the way forward?

- Choose a clear theme to guide investments.
- Define the fund size to guide the investment scale.
- Define an investment strategy and fund management partners or approach that reflects the fund's objectives.
- Diversify, but keep it simple for smaller funds.

In essence, the success of the fund hinges on clarity of purpose, strategic partnerships, and smart investment choices.

Following the considerations and recommendations, the subsequent table outlines the potential product types for the fund. Each product type is tailored to address specific needs and opportunities within the social investment landscape.

Table 3 – Product options

Investment Product	Considerations for the Fund	Advantages	Disadvantages
Loans	Determine interest rates and repayment terms. Assessing creditworthiness and risk. Decision on secured vs. unsecured. Many social enterprises may not have assets to provide security. Liquidity concerns are based on loan duration.	Immediate capital access for ventures. Fixed repayment terms aid ventures in financial planning.	Regular repayments regardless of venture performance. Risk of asset seizure for secured loans.

Investment Product	Considerations for the Fund	Advantages	Disadvantages
Property Loans	<p>Valuation and assessment of properties.</p> <p>Integration with crowdfunding platforms and community shares.</p> <p>Engaging with community stakeholders.</p> <p>Liquidity tied to property market fluctuations. –Timescales for property development and returns.</p>	<p>Specific focus on tangible community assets.</p> <p>Democratised investment process with crowdfunding.</p> <p>Potential for long-term stable returns.</p>	<p>Requires collateral.</p> <p>Longer approval processes due to community involvement.</p> <p>Potential for market downturns affecting property values.</p>
Quasi-Equity	<p>Setting performance-based return metrics.</p> <p>Negotiating terms with ventures.</p> <p>Monitoring venture performance closely. –Liquidity based on venture revenue performance.</p> <p>Deal size considerations for cost-effectiveness.</p>	<p>Flexible repayment aligned with venture revenue.</p> <p>Suitable for ventures with unpredictable cash flows.</p> <p>Potential for higher returns if venture excels.</p>	<p>Potentially higher costs if venture underperforms.</p> <p>Less familiar to traditional investors.</p> <p>More complex to set-up and manage.</p>
Equity	<p>Valuation of the venture. –Negotiating ownership stakes.</p> <p>Strategic involvement in venture decisions.</p> <p>Liquidity tied to exit opportunities (e.g., sale, IPO).</p> <p>Consideration of target deal size for optimal fund deployment.</p>	<p>Long-term alignment with venture interests.</p> <p>No regular repayments eases venture cash flow.</p> <p>Potential for significant returns upon exit.</p>	<p>Many impact-first asset-locked social enterprises cannot issue equity.</p> <p>Longer timescales for returns. Less certainty on point capital will be returned. It can be hard to liquidate if required.</p>

FUND TARGET DEAL SIZE

The target deal size for each product is a crucial factor to consider. It's influenced by both the transactional costs associated with the product and the overall fund size. The figures presented are based on an assumed fund size of £5m. However, it's worth noting that these figures might vary depending on the actual fund size and the chosen fund management approach. A larger fund might accommodate bigger deals, while a smaller one would necessitate more conservative allocations. The fund management approach, whether it's in-house or outsourced, will also influence the transactional costs and, by extension, the ideal deal size. Additionally, the specialism and expertise of the fund manager play a pivotal role. A manager with a deep understanding of the social investment landscape and the specific challenges and opportunities it presents can optimise the allocation of funds, ensuring that investments are both impactful and financially viable.

Table 4 – Product options

Investment Product	Target Deal Size (£m)	Rationale
Loans	£0.2m – £1m	Given the relatively lower transaction costs for loans, the fund can afford to make smaller deals. However, to ensure diversification and manage risk, it's advisable not to exceed £1m for individual loans.
Property Loans	£0.2m – £2m	Property loans typically involve higher amounts due to the tangible asset's value. Given the fund size, a few larger deals in this category can be accommodated, but it's essential to reserve capital for other investments.
Quasi-Equity	£0.1m – £0.4m	Quasi-equity deals can vary widely based on the venture's valuation and revenue potential. A mid-range target ensures the fund can participate in multiple deals without overexposing to a single venture.
Equity	£0.1m – £0.3m	Equity investments tie up capital for longer durations and come with higher risks. While the potential for returns is significant, it's advisable to maintain a balanced approach to deal size to ensure diversification.

POTENTIAL INVESTORS – EMERGING PIPELINE

A fund in the region could attract diverse investors, each appreciating the impact and value a fund could deliver. The table below categorises these potential investors, highlighting their relevance to the fund.

Table 5 – Potential Investors

Investor Category	Examples	Description
Institutional Investors	Big Society Capital	Established financial institutions with a track record of significant investments in various sectors.
Corporates	Universities and larger local employers, i.e. Exeter and Plymouth Universities, C&J Clark, Pennon Group, etc.	Corporate entities, including educational institutions, that have a vested interest in the region's development.
High-net-worth Individuals & Angel Networks	Angel networks, i.e. Angel Investors Bristol (AIB)	Affluent individuals or groups that provide capital for business startups, usually in exchange for convertible debt or ownership equity.
Crowdfunding	Crowdfunder (based in Cornwall), Crowdcube (based in Exeter), Abundance Investment, and Triodos Crowdfunding	Collaborations with crowdfunding platforms to raise capital from a large number of people, typically via the internet. While direct crowdfunding into the fund is unlikely, it may support specific investments and initiatives.
Second Home Owners	Individuals owning a second home in the region	Individuals with a personal connection to the area, often owning property, and looking for investment opportunities that benefit the region.

OUTLINE PROPOSAL FOR PHASE 2 FUND DEVELOPMENT WORK

The next phase of work will be pivotal in shaping the fund's trajectory. Here's an outline of the requirements:



Governance & Operating Model:

- Propose and finalise the governance and legal structure.
- Recommend sustainable governance arrangements.



Partner Selection & Collaboration:

- Identify and engage with potential fund partners.
- Collaborate closely with selected partners to ensure seamless project management and stakeholder alignment.



Fund Priorities & Theories of Change:

- Co-design a detailed Theory of Change.
- Agree upon and define thematic themes and focus areas that the fund will champion.



Fund Strategy, Financial Model & Business Case:

- Engage a broader investor pipeline through research.
- Develop an appropriate fund model, draft a high-level prospectus, and secure commitments from initial investors.
- Test and refine fund product offers within the agreed thematic areas.
- Define the Fund Strategy and undertake financial modelling.
- Consolidate the above into a comprehensive business case.

Flexibility: Recognising the dynamic nature of such projects, there's an inherent ability to flex up or down in line with project requirements and timelines. This ensures that the approach remains agile, adapting to changing circumstances while staying on course to meet the overarching objectives.

