

## TACKLING SOME OF CAMBRIDGE'S MOST SIGNIFICANT SOCIAL ISSUES THROUGH PLACE BASED SOCIAL IMPACT INVESTMENT AND BLENDED FINANCE

### CONTEXT

Cambridge is facing a complex set of pressures – living with and recovering from Covid, declining public sector funding, rising demand for services (in particular, housing, adults and children's social care), and challenging employment and housing conditions, combined with rising cost of living in a city that is already relatively unaffordable.

Charities and social enterprises have been under significant funding pressure for over a decade, which has been exacerbated by the pandemic. Cambridge City Council has managed to sustain a high level of grant funding to the local 3<sup>rd</sup> sector, around £1m in community grants were disbursed in 2021/22. It shares key corporate priorities with many local social sector organisations and businesses, in particular to: eradicate homelessness, reduce inequality, support families with the cost of living, address energy poverty and tackle the climate change and biodiversity emergencies.

ITAC CLT, part of the broader It Takes a City Initiative that brings the wider community together to address homelessness, is seeking to provide and manage housing, relieve financial hardship and promote regeneration, with an initial focus on small modular housing schemes for rough sleepers: this work, that brings many partners together, requires a sustainable financial platform blending social and commercial finance.

The council and ITAC CLT are keen to explore options to expand impactful initiatives with local communities, businesses and the public sector. With the right support, partnerships and infrastructure, there should be scope to develop opportunities for responsible, patient, social impact investment in Greater Cambridge to enhance local resilience as well as enabling more inclusive and sustainable development, and better outcomes.

In that context, there is a desire to consider alternative funding sources in addition to traditional grants which can help charities, social enterprises and initiatives across Cambridge – and the Greater Cambridge region - to build capability, resilience and more effective or innovative delivery models with an emphasis on outcomes. Social impact investment has been used in other areas across the UK and the City Council and ITAC CLT are keen to explore the scope to develop and deploy these types of funding models to help tackle entrenched social issues in the city.

Cambridge City Council, working together with the It Takes a City Community Land Trust (ITAC CLT), has commissioned AchieveGood to undertake research, to explore how certain social issues in Cambridge could be tackled through creating a placed based social impact investment and blended finance organisation or fund. The research will outline the options available and what organisational funding models and processes need to be in place to enable this.

### EXAMPLES OF PLACE BASED SOCIAL IMPACT INVESTING

#### BRISTOL AND BATH REGIONAL CAPITAL

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

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

## NORTH EAST SOCIAL INVESTMENT COMPANY

The North East Social Investment Company (NESIC) launched The North East Social Investment Fund (NESIF) which was the first fund of its kind in England. NESIF is a £10.2 million fund set up specifically to provide investment to organisations that are passionate about making a positive social impact by taking on some of the big social challenges faced in the North East. These challenges include homelessness, poverty, unemployment, health and social care, mental health, offender rehabilitation and the regeneration of deprived communities. The social impact investments NESIF can offer range in size from £100k to £1 million and work alongside banks and other sources of finance to deliver the right package of funding designed to meet each organisation's circumstances and needs.

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

## KINDRED CIC

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

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

## HOW YOU CAN HELP

We are interested in hearing from Charities, Social Enterprises, Corporates, and other stakeholder organisations interested in Greater Cambridge and place based social impact investing. We would be keen to hear views on the current social issues and the landscape of organisations and initiatives tackling them and how place based social impact investment could support this. Key questions include:

- What are your thoughts on what some of Cambridge's key social issues are? (Our focus is on social issues although we will also listen and capture wider issues such as the environment)
- What would the ideal outcomes be for tackling social issues in Cambridge?
- What are the key opportunities for and barriers for charities and social enterprises to expand their impact?
- Are there any good examples of stakeholders working together currently and who do you think are the key stakeholders that we need to involve in this project to tackle social issues together?
- How could social impact investing and/or blended finance best help you in achieving your aims?
- What types of capacity building and support is required?

The call for evidence will run until the 30th of September 2022. The link to the survey is here: <https://tinyurl.com/CambsCallForEvidence>

## DEFINITIONS: WHAT WE MEAN

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

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

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