

Response to Consultation

Date: 27 October 2009
Consultation: Dormant Accounts Scheme Consultation

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents 40 housing associations. This includes all 33 associations registered and regulated by the Department for Social Development (DSD). Collectively, these associations provide 30,000 good quality, affordable homes for renting or equity sharing. Further information is available at www.nifha.org

Background

NIFHA's members are responsible for about twenty five percent of all social housing stock in Northern Ireland. We welcome the opportunity to respond to this document on behalf of our members and more effectively their tenants, a large number of whom are employed in social enterprises within the local economy.

Ulster Community Investment Trust (UCIT)

NIFHA have examined the detailed response to the consultation document prepared by UCIT and endorse the content of this document.

The document is below.

Submitted on behalf of NIFHA by:

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Dormant Accounts Scheme Consultation

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Other (please describe)	Community Development Finance Institution (CDFI)
<p>If you are responding on behalf of an organisation/interest group how many members do you have and how did you obtain the views of your members:</p> <p>UCIT's response is supported by:</p> <ul style="list-style-type: none"> ▪ The Charity Bank ▪ Social Economy Network (SEN) ▪ School for Social Entrepreneurs in Ireland ▪ Bryson Charitable Group 	
<p>If you would like your response or personal details to be treated confidentially please explain why:</p> <p>n/a</p>	

Introduction

Ulster Community Investment Trust (UCIT) and the Charity Bank welcome the opportunity to respond to the consultation on the spending priorities for Northern Ireland within the proposed Dormant Accounts Scheme.

UCIT is the key provider of loan finance and business support to the social economy sector in Northern Ireland. UCIT's mission is to assist social enterprises to become more financially viable and self-sufficient, and as a result encourage economic development and job creation in some of the most disadvantaged communities in the region. Since 2001, UCIT has invested in excess of £23 million and supported over 170 social enterprises. For every £1 invested into UCIT, over £2 (and growing) has been used to support social enterprise.

The Charity Bank is a UK-wide organisation which finances charities and other civil social organisations that address society's needs, with the support of depositors and investors who want to encourage a more responsible and transparent use of money.

Social enterprises are primarily businesses with a social, community or ethical purpose. This means that profits are reinvested for the benefit of the community rather than for shareholders or directors, making the social economy an excellent way to lock wealth into disadvantaged areas.

There are an estimated 1,200 social enterprises, employing up to 30,000 people in Northern Ireland. This represents 3% of an estimated 37,855 Small & Medium Sized Enterprise (SME) employers in the region, or equivalent in size to the tourism sector. The social economy sector forms part of the wider third sector, which includes charities, cooperatives, church groups, sports organisations and voluntary and community organisations. The importance of the social economy to the regional economy is illustrated in NICVA's State of the Sector V Report (February 2009), which estimates that the voluntary and community sector in Northern Ireland (which includes both mature, start-up and potential social enterprises) consists of 4,700 organisations with assets in excess of £730 million.

The importance of the social economy as a means of self-help and job creation/retention in marginalised communities that have experienced the worse effects of the current economic downturn in Northern Ireland cannot be underestimated. In 2009, the local economy contracted at a faster rate than any other region in the UK, foreign direct investment continues to decline and unemployment is in excess of 50,000. In contrast, the social enterprises supported by UCIT continue to perform well, retaining jobs and helping to sustain economic development in those communities hardest hit by the effects of the downturn.

Despite this vital contribution to the local economy, social enterprises continue to experience difficulties in accessing affordable finance and winning public service contracts.

Spending Priorities

Within the general definition of social and environmental purposes are there particular areas/issues that would benefit from these funds?

The Northern Ireland Executive's Programme for Government 2008 – 2011, recognises the importance of the social economy sector and voluntary and community organisations as:

1. A priority area in the development of a successful economy in Northern Ireland
2. Contributors to the promotion of social objectives and sustainable community development.

It is anticipated that the Dormant Accounts process will produce an initial large capital sum for distribution, followed by significantly smaller amounts each year thereafter. UCIT and Charity Bank would suggest that 50% (or a minimum of £5 million) of the initial capital would be best used for a one-off investment, which can then be invested on a perpetual basis into social enterprises and voluntary and community organisations to produce social and environmental benefits that are both sustainable and impact on the most marginalised communities in Northern Ireland.

As social finance organisations, UCIT and Charity Bank are capable of implementing funding mechanisms that would support the aforementioned priorities of the current Programme for Government and help deliver long-term benefits for voluntary and community organisations and the social economy sector in Northern Ireland.

Are there particular groups of individuals/organisations that should be specifically targeted?

UCIT and the Charity Bank propose to target and support social enterprises and voluntary and community organisations throughout Northern Ireland. These organisations are characterised by their self-help attitude, commitment to moving away from grant-dependence towards sustainable business operations and capacity for delivering essential community services in areas where the private or public sector currently does not.

A one-off investment of 50% (or a minimum of £5 million) of the initial capital of the Dormant Accounts Scheme would be used in two ways to support social enterprises and voluntary and community organisations working in disadvantaged areas, as set out below:

- a) Voluntary and Community Organisations:

It is proposed that a £2 million endowment from the initial Dormant Accounts Fund should be invested in a social bank, to support projects located in disadvantaged communities.

The interest earned from this investment will provide a significant proportion of the cost of employing a Community Accountant, to provide advice and service delivery to smaller community organisations in disadvantaged areas across Northern Ireland. The services provided free would include setting up accounting and financial reporting services, advising on financial management and taxation issues and promoting good financial management practice. The post-holder would also be expected to provide some services on a commercial basis, to larger community groups that could afford to pay for audit and accountancy services. This would assist the service to be funded on a sustainable basis and in a way that enables it to deliver a core of consistent high quality functions in line with the Voluntary and Community Sector Support Services Strategy 2007.

Furthermore, the £2 million deposit in a social bank will increase the flow of loan funding available for those voluntary and community organisations, particularly in deprived areas, that are in need of investment but are unable to access loans from mainstream banks, particularly in the current circumstances.

b) Social Enterprises:

It is further proposed that a minimum of £3 million from the Dormant Accounts Scheme be used to establish a social investment fund to provide a mixture of affordable loans and quasi-equity type financial products to social enterprises and community and voluntary organisations, which are unable to access affordable credit facilities from mainstream banks as a result of the current economic downturn. This fund would be managed by a social finance provider and would be used to:

- Increase the level of finance available to community organisations wishing to develop their social enterprise activities as a means of tackling disadvantage and market failure in the provision of services in marginalised communities.
- Increase the level of finance available to existing social enterprises that want to expand their operations and provide additional community services in areas of disadvantage.
- Generate capital from interest repayments to help to fund the establishment and ongoing administration of a new public procurement brokerage service, available to social enterprises and voluntary and community organisations throughout Northern Ireland. The key objectives of the Public Procurement Brokerage Service would be to:
 - Build the business capacity of social enterprises and their readiness for applying for public procurement contracts;

- Facilitate business links and strategic alliances between, for example, social enterprises working in education and training, health and social care, and with the private sector.
- Source new procurement opportunities on behalf of organisations from the estimated £2bn public procurement marketplace.
- Assist organisations with writing proposals, financial modelling, contract negotiation and performance management.

The Public Procurement Brokerage Service would be managed by a committee made up of five key stakeholder organisations, including:

- UCIT
- Charity Bank
- Social Economy Network
- School for Social Entrepreneurs in Ireland
- Bryson Charitable Group

It is anticipated that after a period of development, which includes financing a feasibility test, the Public Procurement Brokerage Service would provide some services on a commercial basis, particularly to larger social enterprises that could afford to pay for bid writing services and contract negotiation. This would enable the Brokerage Service to become self-financing in a way that enables it to develop high quality core services that support the growth of the social economy sector by increasing access to public sector procurement opportunities in line with the objectives of the Northern Ireland Executive's current Programme for Government.

Do you think disadvantaged areas in particular should be targeted?

UCIT and the Charity Bank believe that social enterprises and voluntary and community groups are already well placed to tackle the problems associated with high unemployment and deprivation in some of the most marginalised communities throughout Northern Ireland. In our experience the diverse range of organisations that make up the third sector, including social enterprises, charities, cooperatives, church groups, sports organisations and voluntary and community organisations, are well placed to provide 'local solutions to local problems'.

Our proposal targets disadvantaged areas and marginalised communities throughout Northern Ireland by using a portion of the Dormant Accounts fund to increase access to affordable social finance for social enterprises and voluntary and community organisations working in these communities.

The capital generated through interest repayments by these organisations will be used to support the delivery of the aforementioned public procurement brokerage service on behalf of the sector.

In addition, the interest generated through the endowed portion of the Dormant Accounts fund will be used to deliver financial management support to voluntary and community organisations working in disadvantaged areas throughout Northern Ireland.

A particular issue in Northern Ireland since the inception of the National Lottery has been the ethical difficulties that some groups have had with seeking access to funds generated by gambling. How best could we accommodate organisations that on moral or ethical grounds did not secure funding from the lottery?

As part of the financial support provided to the wider third sector in Northern Ireland, UCIT already supports Church groups that work in areas of disadvantage. The provision of funds from the Dormant Accounts Scheme would enable us to extend this support to projects, promoted by organisations with moral or ethical concerns regarding lottery funding, which are bringing genuine social benefits to those most disadvantaged in society.

Furthermore, we believe that such projects should form an important part of any future audit of the social and economic impact of the Third Sector.

Do you have any views on how the funds should be delivered? e.g. should the scheme be used for revenue and/or capital purposes; loans to promote social enterprise; should the funding be delivered over a short or longer time frame; do you have any views on the size of grants; should an endowment, be created, or endowments supported.

UCIT and Charity Bank believe that funds from the Dormant Accounts Scheme should be used to make long-term investment into the social economy and voluntary and community sector.

By investing capital from the Scheme into endowment and loan funds that can be managed within the existing resources of social finance organisations like UCIT and Charity Bank, the original investment will be used on a revolving basis to support a growing number of organisations and deliver long-term social and environmental benefits in marginalised communities on a perpetual basis.

Could the Dormant Accounts Scheme be used as an opportunity to promote partnership working with others in government or the larger community?

Our proposal is based on partnership working within both the social economy sector and the voluntary and community sector and between these sectors and the public

and private sectors (illustrated through the Public Procurement Brokerage Service). Further partnerships will be developed between social finance providers (UCIT and Charity Bank), representative membership organisations and the wider community and voluntary sector as a whole (as demonstrated in the support of the Community Change, Social Economy Network, School for Social Entrepreneurs in Ireland and Bryson Charitable Group).

Furthermore, the proposal increases the flow of loan and quasi-equity type finance available for capital and revenue projects in the third sector. Both UCIT and Charity Bank are interested in working with Government and the banks to co-ordinate our investment, to improve public sector investment decisions and to ensure that “free” money goes only to those organisations that really need it.

We would welcome your comments as to why you think that your identified spending priorities/areas merit support.

Our identified spending priorities merit support because they deliver on social purposes, providing real, additional, long-term and sustainable benefits from a one-off capital investment. Those benefits will accrue to all third sector organisations including those which, on moral and ethical grounds, did not secure funding from the Big Lottery Fund.

The endowment of Community Change will enable that organisation to deliver sustainable support in book-keeping, accounting and financial management to the voluntary and community sector. Their depositing of the endowment in Charity Bank will increase the flow of funds through affordable and appropriate loans to the sector.

The establishment of a social investment fund will improve the supply of affordable loans and quasi-equity type financial products to social enterprises and community and voluntary organisations that want to expand their operations and provide additional community services in areas of disadvantage. The capital generated from interest repayments will be used to fund the ongoing administration of a new public procurement brokerage service available to social enterprises and voluntary and community organisations throughout Northern Ireland. The Service will be designed to support the growth of the social economy sector by increasing access to public sector procurement opportunities in line with the Northern Ireland Executive’s Programme for Government 2008 – 2011.

Finally, we believe that the social finance sector can share its investment and social impact analysis skills with the public and private sectors in order to improve investment decision-making and practice.

Should you require any further information or clarification on any matter raised in this response please feel free to contact UCIT using the contact details on page 1 above.