

Liverpool City Region Impact Fund Wave one update

May 2017

About the fund

The £2m pilot Liverpool City Region Impact Fund, launched in January 2014, offers unsecured loans of £50,000 - £250,000 to charities and social enterprises based in the Liverpool City Region. The aim of the fund is to help them grow and scale up the impact they make in their communities.

The fund will last for 10 years and has two waves of investment. The first wave of investments was made between 2014 and 2016. Once this wave has been repaid, the funds will be invested into another set of charities and social enterprises. We anticipate starting to make these investments around 2018/19.

The fund is managed by Social Investment Business (SIB), and financed by £1 million from SIB and £1 million from the European Regional Development Fund (ERDF) 2007-13 programme.

At the end of the 10 year period, remaining ERDF funds will form a legacy for the Liverpool City Region to be used for further investments into locally based charities and social enterprises.

Fund objectives

The fund was developed to achieve five specific objectives:

1. **To provide loans to charities and social enterprises in the Liverpool City Region** to support their growth, increase their economic and social impact, develop and expand trading activities, increase organisational turnover, create new jobs and safeguard existing jobs.
2. **To meet specific unmet demand** for loans of less than £250,000¹.
3. **To pilot the Local Impact Fund model** providing place based social investment to charities and social enterprises².
4. **To pilot the use of ERDF** money to provide loan finance specifically for charities and social enterprises.
5. **Leave an unrestricted lasting legacy** for charities and social enterprises in the Liverpool City Region.

What the fund offers

- Unsecured loans.
- Typically between £50,000 and £250,000.
- Flexible repayment terms of up to five years.
- Competitive interest rates based on risk and affordability (typically 6%).
- No arrangement fee and no penalty for early repayment.

¹ Investment Readiness in the UK (Big Lottery Fund, 2012); 'The People's Business' (Social Enterprise UK, 2013)

² Place Based Social Investment: Prospectus for growing a local social economy (Social Investment Business, 2013)

The story so far

During the first wave of the fund, January 2014 to June 2016, we invested £1.25m into eight charities and social enterprises. These investments have helped organisations across the Liverpool City Region working on areas including employment & training, the arts and urban development.

We were not able to invest all of the money during the first wave. The fund was underspent by £624,808. £312,404 will be returned to the ERDF and £312,404 to SIB. There were several reasons for this including the unexpected closure of our local partner, restrictions on how ERDF money could be invested and the timeframe in which we had to invest the fund.

- 105 expressions of interest received totalling about £7.4m.
- 21 full applications received totalling about £3m.
- 9 investments approved totalling £1,505,192.
- 8 investments drawn totalling £1,255,192.
- Further pipeline of 4 applications of about £600,000 that were not ready in time for the 30th June ERDF deadline.

There are still many positives to draw from the fund. The fund was able to successfully invest ERDF money into charities and social enterprises and meet the unmet demand for loans under £250,000. Meanwhile, the external evaluation of the first year of the fund came to the following conclusions:

- **The fund was well managed** and should be used as a model of good practice and to inform any rollout of Local Impact Funds.
- **Fit for purpose investment readiness support is essential** in developing a regular flow of investable propositions.
- **Local stakeholder buy in and involvement is important** to secure strategic support for Local Impact Funds.
- **There is demand from the sector** for Local Impact Funds to offer a broader range of investment products.
- **Further investment will be needed to top up the legacy fund** if we want to provide a broader range of products.

We are delighted that we have been able to help eight organisations access the money they needed to grow and do more of what they do best. This pilot fund has taught us lots about how Local Impact Funds need to work and we are now looking forward to the second round of the fund when we hope to be able to make more investments.

Wave one investments

This table contains details of the eight investments and the objectives they were intended to deliver.

Investee	Local Authority Area	Date investment drawn	Projected repayment date	Amount approved & drawn	No. of jobs created by 31.12.16	No. of jobs safeguarded by 31.12.16	Brownfield Land reclaimed/ redeveloped (Ha) by 31.12.16	Premises with new or upgraded floor space (m2) by 31.12.16
The Reader Organisation	Liverpool	Mar 2015	Apr 2020	£70,000	6	0	0	0
Neighbourhood Services Company	Knowsley	Mar 2015	Mar 2018	£250,000	12	40	0	0
The Rare Trust	Liverpool	Aug & Sep 2015	Mar 2020	£168,265	4.2	0	0	0
Engineering College	Wirral	Mar & May 2016	May 2021	£120,000	5	3	0	155
Baltic Creative/ Northern Lights Liverpool	Liverpool	Jun 2016	Sept 2021	£310,000	2	0	0.353	3530
FranchisingWorks UK	Liverpool	Jun 2016	Sep 2020	£50,000	2	1	0	0
Lifeline	Liverpool	Jun 2016	Aug 2019	£131,927	4	24	0	0
Landlife Wildflowers	Knowsley	Jun 2016	Sept 2021	£155,000	2	7	0	0
Total				£1,255,192	37.2	75	0.353	3,685

Some of the investments

The Reader Organisation



The Reader Organisation, set up in 2008, seeks to connect people with great literature through shared reading. They currently read with 2,000 people per week across a variety of settings including prisons, mental health wards, care homes and schools.

In September 2014 they acquired an old mansion house and out buildings in Calderstones Park, Liverpool. They planned to undertake a £4.5m refurbishment project to turn Calderstone Mansion House into an international flagship centre for shared reading.

They received £70,000 in March 2015, repayable over five years, to contribute towards the refurbishment of a disused stable and barn to develop a dedicated 'Storybarn' specifically for children and young people.

Since the investment, they have completed and launched 'The Storybarn', delivered six new/improved activities for the local community and welcomed more than 15,000 children and families to the site. They have also created four new jobs and secured the entire £4.5million needed for the wider redevelopment of the Calderstones Mansion House.

For further information visit:
www.thereader.org.uk

The investment was intended to help deliver:

- 6 new jobs
- 241 sq m of premises with new or upgraded floor space
- 4 new/improved activities for the local community
- £170,000 increase in organisation turnover by April 2017
- £743,000 increase in trading income by 2020
- £200,000 increase in contract income by 2020
- 75,000 new beneficiaries by 2020 (600% increase)

"The support of SIB has been instrumental in making The Storybarn a reality – we are really grateful for their investment, support and forward thinking attitude."

George Hawkins, Development Manager,
The Reader Organisation

The Rare Trust



The Rare Trust, set up in 2012, is a performing arts school based in Liverpool City Centre. The organisation was borne out of the desire to make high quality performing arts training available to all talented young people regardless of their ability to pay. They offer specialist training in dance, acting, singing and musical theatre.

They were at full capacity in their current venue and demand for training places was growing daily – both from individuals and schools paying for BTEC places. They had sufficient demand to double the number of training places/courses they were delivering but their current premises was not fit for purpose.

They received £168,265 in August-September 2015, repayable over four and a half years, to refurbish their existing premises and create more useable studio space and facilities.

Since the investment, they have completed the building works, created 3.35 jobs, delivered over 20 new/improved services for the local community, increased their student numbers to 94 full time and 215 part time and secured further investment for expansion.

For further information visit:
www.rarestudioliverpool.co.uk

The investment is intended to help deliver:

- 139 new student places – an 81% increase
- 20 new services/activities to the community
- 421 sq m of premises with new or upgraded floor space
- 4.2 new jobs
- £243,000 increase in organisation turnover by August 2018
- £73,000 increase in trading income by August 2018
- £160,000 increase in contract income by August 2018
- £534,000 increase in unrestricted reserves by August 2018
- £32,000 increase in value of assets by August 2018

“Without this investment we would not have been able to expand our services.... Working with a social investor who understood what we’re trying to do has really helped us.”

Michelle Faulkner, Director, The Rare Trust

Engineering College



The Engineering College is a registered charity and was established in 1998 to combat chronic skills shortages in the engineering, construction and manufacturing sectors in the Liverpool City Region. They design and deliver flexible and responsive vocational programmes that give businesses in the industries they represent the skills they need to grow.

They were seeking investment to guarantee the on-going delivery and expansion of their technical Engineering Advanced Apprentice education and training programme. They were also looking to support the expansion of their Higher Apprenticeships in Engineering and their vocational education to mature learners.

They received £120,000, repayable over five years, to create an additional mezzanine level/ classroom space and purchase high-tech engineering equipment. This meant that they could increase the number of apprenticeship places they offer and improve their quality.

Since the investment, they have completed the building works and purchased the new equipment. The mezzanine classrooms are now in use. They have also created four jobs and safeguarded three.

For further information visit:
www.mecnw.co.uk

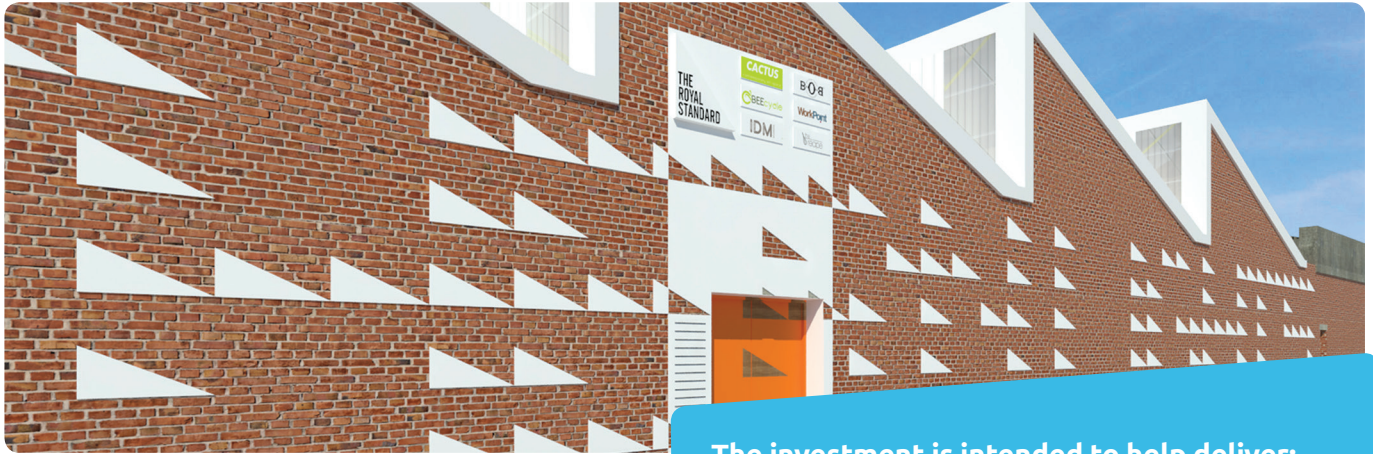
The investment is intended to help deliver:

- 5 new jobs
- 3 existing jobs safeguarded
- 155 sq m of premises with new or upgraded floor space
- £1.28m increase in organisation turnover by 2021
- £549,257 increase in trading income by 2021
- £730,000 increase in contract income by 2021
- £250,000 increase in unrestricted reserves by 2021
- £100,000 increase in value of assets by 2021
- 234 new beneficiaries i.e. apprenticeship places by 2021 (80% increase)

“Without the loan and great terms we would have missed out on the chance to secure capital funding from the Liverpool City Region Skills Growth Fund. The investment has allowed us to create fantastic new training facilities and purchase new machinery and technology to further improve our education and training offer to local industry, schools and adult learners.”

Terry Weston, Chief Executive, Engineering College

Baltic Creative/Northern Lights Liverpool



Baltic Creative CIC was established in 2009 to provide creative space that meets the varied needs of the creative and digital sector and is playing a major part in the regeneration of the Baltic Triangle in Liverpool. They have established and run a Creative Campus of shop front studios, multifunctional warehouses, workshops and managed workspaces.

They secured a 10-year deal that will transform 45,000 sq.ft of disused warehouses at the Cains Brewery in the Baltic Triangle, into a range of innovative spaces for artists, designer-makers and the creative industries. This next phase in Baltic's growth dubbed 'Northern Lights' will include a new artist-led hub containing affordable artist studios, gallery spaces, workshop units, log burning mezzanine studios, a central café and a large event space.

Northern Lights Liverpool, a newly formed trading subsidiary of Baltic Creative, received £310,000 in June 2016, repayable over five years, to contribute towards the capital development of the artist hub, gallery space, workshop units and studios.

Since the investment, they have completed and launched Northern Lights Liverpool and have attracted 14 new tenants, two of which are relocating from London and Manchester.

For further information visit:
baltic-creative.com

The investment is intended to help deliver:

- 2 new jobs
- 0.353 Ha of brownfield land reclaimed/redeveloped
- 3530 sq m of premises with new or upgraded floor space
- 12 new/improved activities for the local community
- 20 new users i.e. tenants
- £164,000 increase in organisation turnover by April 2017
- £164,000 increase in trading income by April 2017
- £790,000 increase in value of assets by April 2017

"Baltic Creative, through the delivery of Northern Lights, will provide much needed artist-led space, studio space and performance space to support the continued growth of the Baltic Triangle creative and digital cluster. SIB has been incredibly supportive of the vision and ambition to continue to support the growth of these key sectors both in the Baltic Triangle and the wider Liverpool City Region."

Mark Lawler, Managing Director, Baltic Creative

Neighbourhood Services Company



Neighbourhood Services Company was established in 2001 to support the development of sustainable communities in the Alt Valley and surrounding areas of Liverpool through the creation of long-term employment and economic regeneration.

They manage a range of community assets, which provide training and employment opportunities to local people, including, libraries, sports centres, farms, parades of shops, pubs and an integrated training and work centre.

They identified an opportunity to grow their existing Buildings and Maintenance Service, which bids for contracts to maintain socially owned housing stock whilst creating training and jobs for local people.

They received £250,000 in March 2015, repayable over three years, for growth capital to cover the front loaded costs (e.g. staff and materials) of building contracts. The investment will enable them to increase the value of an existing contract, and put them in a better position to bid for bigger contracts in the future.

Since the investment, they have successfully bid for a larger contract of £4.5m, which has created 12 new jobs, safeguarded 16.5 existing jobs and created six new apprentice opportunities. The new contract should lead to an increase in turnover of £1.5m by October 2017.

For further information visit: nsliverpool.co.uk

The investment is intended to help deliver:

- 12 new jobs
- 40 existing jobs safeguarded
- £1.5m increase in organisation turnover by October 2017
- £1.5m increase in contract income by October 2017
- 6 new apprentices

“Without the investment we could not have doubled our contract size, protected over 40 jobs and created extra employment opportunities and apprenticeships. The investment was provided exactly when required and had the added benefit of allowing us to invest in and grow other parts of the business.”

Phil Knibb, Chief Executive, Neighbourhood Services Company

Landlife Wildflowers Ltd



Landlife Wildflowers, set up in 1984, was the trading subsidiary of Landlife, the wildflower conservation charity, both of which traded as the National Wildflower Centre. They grew and sold native wildflower seeds and their profits were given back to the charity to sustain and create environmental and social impact.

They received £155,000 in June 2016, repayable over five years, to pay for a business development manager and marketing officer, marketing activity, agriculture equipment and a new e-commerce system.

Unfortunately, The National Wildflower Centre closed in January 2017 and the trustees released the following statement.

“The National Wildflower Centre’s finances have been increasingly challenging during this time of continuing austerity. The substantial investment also required in the fabric of the Centre’s Millennium Building has significantly added to the organisation’s severe financial stress. We have reached the point where the companies would begin wrongful trading which is unacceptable and illegal. The Trustees have therefore had to act accordingly and adhere to company law.

As a consequence it is with great sadness that Trustees have decided to wind down all business operations and recommend moving both Landlife (the charity) and Landlife Wildflowers (the trading company) into Creditors’ Voluntary Liquidation, as well as closing the National Wildflower Centre.”

Of the £155,000 investment, only £24,000 was spent, £131,000 has already been returned. Any recovery of the residue will be dependent on the outcome of the current insolvency process.

The closure of both companies was triggered by issues with the parent charity unconnected with the investment the trading company received from the Fund.

Next Steps



Having completed the first round of investments we are now working with these organisations to support them to deliver the plans the investments were intended to support. Receiving the investment is just the first step of the journey and realizing the ambitious plans set out in the investment proposal is where the real work begins.

If you've got an idea or a project that you think the Liverpool City Region Impact Fund can help with then get in touch and let us know. Although wave two of the fund is not due to formally open for at least a year, we may be able to make a few investments earlier than this and it is never too early to start discussing your proposal with us to work out if the fund might work for you. The earlier you get in touch the more time we have to develop the right deal for you.

We're committed to learning from our work and will be implementing the lessons we learnt in wave one into our work in wave two. We will also be publishing a lessons learnt report later this year to share our experience.

For any more information or if you are interested in applying to the fund please contact Amy Zawislak on 020 3096 7920 or email amy.zawislak@sibgroup.org.uk.

Find out more at
sibgroup.org.uk

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