

Finance initiative

With existing funding streams facing an uncertain future, it's essential that community recyclers consider alternative ways to acquire investment. Giles Crosse reveals how Community Development Finance Initiatives are putting sustainable finance first

Community sector organisations have often relied upon grant funding to get their businesses off the ground. There's little doubt a helping hand can be just what's needed in the early years, but many in the sector are now learning that freedom from grant dependence is vital if they are to maintain future services.

The Community Recycling and Economic Development (CRED) Programme is now closed and European Structural Funds also end in a year's time, so an alternative will inevitably be needed. One option is to go to a bank and borrow the capital. The trouble is that few commercial banks understand and are willing to invest in the community waste sector.

Community Development Finance Initiatives (CDFIs) offer a wide range of products and services, specifically tailored to meet the specialised needs of these organisations. Charities, social enterprises and cooperatives can all look to these initiatives to provide investment that would otherwise not be available to them.

Business support, loans and equity finance are just some of the benefits that a social enterprise can look to harness from this new approach to finance.

Many existing community businesses have already taken steps to access the benefits. Charity Bank was one of the first not-for-profit banks looking to emphasise new opportunities and community benefit. Liverpool-based community group Energywise Recycling applied to the bank for critical new business development funding. The money was used specifically for a new recycling truck and improvements to existing depot facilities. Energywise had already secured £57,000 of capital investment through the Merseyside Social Enterprise Initiative, but this fell short of the total funds required to make expansion possible. The enterprise had been given the opportunity to take on lucrative new contracts, but lacked the necessary capital. CDFIs exist to fulfil exactly this kind of remit, where traditional financial institutions can be unwilling to invest in businesses whose sole aim is not just financial gain. Malcolm Hayday, Chief Executive at Charity Bank, explained: "Our loan to Energywise Recycling enabled it to continue the important work it does to safeguard the local environment and provide job opportunities in a disadvantaged area of Liverpool."

The Local Investment Fund (LIF),

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created in 1995, is one of the UK's longest established CDFIs, providing support to some 17 per cent of the social enterprises funded by CDFIs in this country. LIF is presently working with a number of community recycling organisations to help create a sustainable funding environment.

ABC Together is an emerging social enterprise based in the Wirral. It is in the process of setting up a recycling business to provide horse bedding and horse compost from recycled cardboard, while providing work opportunities and rehabilitation for people with mental health problems. Deborah Smart, Assistant at LIF, described the reasons behind their investment in the enterprise: "We've provided £15,000 of start up funding to help deal with initial running costs including rent over the first two years. But we're keen to stress the ongoing nature of our support. All our investments are monitored by our Regional Fund Manager, and we will visit our customers on a quarterly basis to offer advice and help make sure our investments are doing well."

Some of the targets agreed as part of the ABC Together package include an increase in turnover from £22,000 to £188,000 by the end of year four; securing a lease on Wirral Community



Transports building, which was achieved in May 2005; encouraging network opportunities for carers, and developing a vibrant network and self help group for participants in the project. Including a commitment to meeting certain targets as part of the agreement helps build trust between both partners. Smart adds: “We’ve got clients who have used our initial funding, and then we’ve gone on to fund them again, and this is made possible by the supportive approach we take. One of our more recent investments is in the Unique Coffee Bar in Newark in the East Midlands. They are creating a Scrapstore, collecting paint, timber, paper and metals to be reused by local schools and organisations. We have recently agreed their loan, and we’ve set them a target of self-sufficiency for 2006/07. Around 55 suppliers have already been signed up. Funding for the Local Investment Fund itself comes from a mixture of Regional Development Agency support, private investments, with some money from more traditional banking institutions. Proving our clients have dedicated targets helps satisfy our investors.”

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Above left: With the help of CDFI support Furniture Matters has to develop its white goods recycling and re-use facility. Above: Greenworks' new workshop

Ownership Finance and Co-Operative Action. The money was used to equip and refurbish a new warehouse. Claudine Piggott, Communications Manager at Green Works, is excited by the opportunities sustainable funding presents: “Joining our national network of outlets, this was the first warehouse to be operated directly by Green Works. The reason we sourced this funding stream is because we share and embrace the same ethical policy and mission; particularly their support and recognition of ecological and social impacts.”

Another example of CDFIs supporting expansion is Furniture Matters in Lancashire, which recently secured £75,000 from the Charities Aid Foundation (CAF) Venturesome Fund in order to help with both capacity building and to act as a financial buffer. The charity had recently received Big Lottery CRED Programme funding and also support from Defra’s Waste Partnership Fund to establish the biggest white goods recycling and re-use facility in Lancashire. Alison Page, Director of Furniture Matters, said

“We were really pleased to secure such large financial support for the project, but were mindful that we would have a large capital expenditure outlay in the first quarter and were uncertain about how quickly we would get our first payments from the funders. So, in order to ensure cash flow didn’t become a problem we approached CAF’s Venturesome team for assistance. A process of emailing and telephone calls led to a visit from CAF, where they examined our budgets, cash flows and business planning. After due consideration they came back to us and said ‘Yes’. We agreed to repay the money in three annual instalments at a six per cent interest rate. We’re really grateful for this support, which will help us continue to grow our business.”

Not all community waste organisations will see this is the path they wish to follow and there can be no doubt grants will continue to play a crucial role. However, as more organisations are able to obtain fair revenue for the services they provide, there is clearly potential for CDFIs to help the sector to grow.