

# Supporting social enterprise and community business

NatWest Social & Community Capital Impact Report 2017



NatWest

## Our 2017 impact in numbers

**£1.55m** in loans approved, up 60% on last year

Lending ...

**£3.71m** lent to **27** organisations  
Six more than 2016



Customer rankings ...

**4.6** out of 5

On loan's significance for  
social mission

**4.1** out of 5

On loan's significance for  
financial sustainability

**4.7** out of 5

Quality of service from the  
Social & Community Capital  
team

# Hello

I've often referred to NatWest Social & Community Capital as a hidden gem. A 20 year old initiative with a track record of social innovation that existed before almost all the social lenders now in the market. Yet, for most of those 20 years S&CC has existed in the margins. Quietly going about its work, it was largely unknown.

Over the last few years we've been breaking through this silence and getting better known in the industry and across the bank. We are now seeing the fruit of our strategy.

The story we can tell in this year's impact report is one of growth in both the number of businesses we have been able to support and in the volume of new lending. It's been a successful year where we've seen a steadily increasing pipeline of social businesses approach us for support.

One thing that has remained consistent since our first impact report three years ago has been the fantastic customer case studies we have been able to showcase. Each year, although we're lending relatively modest sums compared with the bank overall, we know that we're changing lives for the better. This year we're able to show how we are contributing to community cohesion in Northern Ireland,

reducing re-offending in Bristol and providing hope to young people not in education, employment or training (NEETs) whilst reinvigorating sports clubs in Wales.

That's just a snapshot of what we've done. We've helped community cinemas, local sports clubs, counselling organisations and manufacturers to name a few.

It's not all been plain-sailing – we've had some challenges over the year too. We've seen one of our customers close their operation and it's not clear whether we will be fully repaid. This is to be expected in the part of the market in which we operate – we are positive that although we may not receive a financial return we are able to look at the social return in changed lives over many years.

I'd like to thank the S&CC team and especially our committed volunteers for their support in 2017. I'd also



**Simon Jacobs**  
Chair of Trustees, NatWest Social & Community Capital

like to pay particular tribute to two people who have moved on from the team. Firstly to Eric Munro, who managed the charity for some years before becoming the deputy chair of our credit panel. The board are indebted to you for 16 years of service to the community finance team and 42 years at NatWest and we wish you a long and happy retirement. And secondly to Mark Parsons, who's ably led the S&CC team for the past three years and has moved to a new role within the bank. I'd like to recognise the key role he's played during this period, helping drive strategy development and ensuring our procedures and documentation are at the highest possible level.

I hope you enjoy reading about our impact this year and are inspired by the case studies. We look forward to supporting even more social pioneers in 2018.



# A snapshot of 2017

I visited a customer recently to give them the good news that our credit panel had approved their loan. It was a challenging time for them and their sense of relief was clear. They were so delighted I even got a hug! It's a real privilege to be able to support social enterprises who care so deeply about their mission. Telling them that we would like to support them to have an even greater impact is easily the best part of my job.

On another customer visit a Chief Executive told me that when they applied for funding, their organisation was at a very low ebb. Business had been poor and the future was uncertain. Our support for their business plan and belief they could turn it around gave them all renewed confidence to face the challenges ahead.

It's sometimes easy to forget what a crucial role finance plays for social enterprises and how a loan at the right price and at the right time can make a huge difference.

In 2017 we approved lending of over £1.5m to 19 enterprises. It's the culmination of a change in our strategy to make sure we have a

loan offering that meets the real needs of as many social enterprises as possible. We've introduced more flexibility on interest rates and fees, more flexibility around a businesses stage of development and a greater focus on social impact. The result has been a record number of businesses supported. We hope that a new patient capital product next year will enable us to support even more businesses to deliver social impact, with more flexible finance tailored to their needs.

We've also focused on providing more than just financial services. We're now offering customers access to PR support and social impact measurement to help them to make an even greater impact.

Early feedback has been positive and we will be looking to roll this out further in future.

There have been a number of firsts for S&CC in 2017. We had our first loan in Northern Ireland, for Harmony Community Trust. We had our first match-funded loan where we lent alongside Power to Change to Monkey Park CIC in Chesterfield. We've done our first sports club loan too, for The Cheshire County Sports Club.

In 2017 we continued our support for responsible finance providers. We've a proud heritage in funding personal lenders over the last decade and are huge supporters of the social impact they are able to have among some of the poorest in society. I've been pleased to speak at a number of events promoting the sector and welcome Michael Sheen's commitment to strengthening the industry.

Looking ahead, we are continuing to invest in communications to ensure that more social enterprises are aware of the support we can provide.

We've now got a strong pipeline which gives us confidence for the future. We are also looking forward to playing a greater role in the SEUK Places programme following NatWest's new partnership. Our new Places fund will help us to support social enterprises in some of the more vibrant social enterprise places in the UK.

As always, thanks are due to my supportive board, the army of volunteers from inside and outside the bank and to NatWest for continuing to generously support our work.

Finally, I would like to echo Simon's thanks to Eric Munro who retires in 2018. Eric recruited me to the credit panel and has supported me recently as deputy chair of my credit panel. I will always be indebted to him for the support he has given me personally and the wider S&CC team. We will miss you and we wish you a long and fulfilling retirement. Personal thanks are also due to Mark Parsons, who has been the most supportive boss, as well as a valued colleague and friend and the whole team wish you the best of luck in the new role.



**Megan Peat**  
CEO, NatWest Social & Community Capital

**“It’s a real privilege to be able to support social enterprises who care so deeply about their mission.”**

## Case Study: Bristol Together

Since beginning operations in 2011, Bristol Together has developed more than 70 properties in the local community and supported over 60 former prisoners back into work in the process.

The organisation creates pathways to meaningful employment for ex-offenders through providing hands on training in the construction industry, accompanied by in-work support and mentoring. The reoffending rate for former prisoners who join Bristol Together's scheme is astonishingly low.

Raph, a beneficiary of the scheme, explains: "Because I've been in prison people look at you like you're an offender and you're always going to be like that, rather than giving you a chance...I've stuck at it and it's coming up to two years now. It's been the longest job I've had and probably the best job I've had."

Bristol Together knew its formula worked and wanted to scale the business. They came to Social & Community Capital for help and we were able to provide a loan to allow their business to expand. Nick Bacon, a Director of Bristol Together, explains the benefit of our support: "A lot of people have recognised what a good programme this is and how it's working so it's really nice that Social & Community Capital gave us a special rate that allowed us to do more and change more lives."

**"Because I've been in prison people look at you like you're an offender and you're always going to be like that, rather than giving you a chance... I've stuck at it and it's coming up to two years now. It's been the longest job I've had and probably the best job I've had."**



To see Bristol Together's  
story on video, go to  
[www.natwest.com/scc](http://www.natwest.com/scc)

# Who we are and what we do

NatWest Social & Community Capital is an independent charity, supported by NatWest. We were set up in 1999 to help bridge the gap between grants and mainstream finance for social enterprises and responsible finance institutions. In 2015, NatWest provided a £10 million grant from the bank to enable the charity to expand.

NatWest Social & Community Capital's mission is to enable social enterprises and community businesses to make a positive impact in UK communities. We achieve this by providing flexible loan finance to social ventures that are unable to access mainstream funding. We typically provide loans of between £30,000 and £750,000, along with business support, to viable social enterprises, charities and community businesses who are making a positive impact in their community.

We aim to address the needs we identify in the market through our loan offering. Our 'Early Stage Loan' provides more flexible, early stage funding for innovative young social enterprises, and our 'Social Impact Loan' enables

organisations having an above average social impact (as measured by our impact framework) to focus more on their mission by reducing their interest rates. We have also recently introduced a new 'Patient Capital Loan', for organisations who would benefit from more flexible capital repayment timelines.

We recognise that our customers often benefit from practical support in non-financial ways too, and we therefore offer additional services including impact measurement, PR and marketing support, and in 2018 we are establishing a volunteering scheme with staff from the bank.

	Community Business Loan	Social Impact Loan	Early Stage Loan	Patient Capital Loan
<b>Loan amount</b>	£30,000 – £750,000	£30,000 – £500,000	£30,000 – £50,000	£30,000 – £500,000
<b>Interest rate range</b>	6%-8% per annum	4%-8% per annum	6%-8% per annum with up to three years interest roll-up	4%-8% per annum with capital & interest repayment holiday options
<b>Term range</b>	7-10 years max.	10 years max.	10 years max.	10 years max.
<b>Normal security requirements</b>	Debenture/bond and floating charge	Debenture/bond and floating charge	Debenture/bond and floating charge	Debenture/ bond and floating charge
<b>Arrangement fee</b>	1%	1%	None	0.5%-1%
<b>Social impact</b>	Must evidence social impact and report regularly	Must have high social impact and report regularly	Must have high social impact and report regularly	Must have high social impact and report regularly



## Our priority areas

Employability, education and training for those furthest from the labour market

Provision of services to the most disadvantaged

Community regeneration

Intermediary lending for those unable to access mainstream finance



## What makes an organisation eligible for a NatWest Social & Community Capital loan?

- **Financial Sustainability:** Enterprises should be able to demonstrate that they have a sustainable business model and be able to service any borrowing.
- **Social Impact:** Enterprises should be able to demonstrate a positive social impact and should be reinvesting their profits for a social purpose.
- **Suitable Governance:** Enterprises should have a specific social enterprise business structure, good governance procedures and a suitable management structure.
- **Declined by a Bank:** Enterprises should have been declined for a loan by a mainstream bank or be ineligible because they do not meet bank lending policy.

## How we operate

NatWest Social & Community Capital's credit panel meets twice a month to assess loan applications, enabling organisations to apply all year round and receive quick responses. Made up of volunteers from both inside and outside the bank, they bring a wealth of expertise and experience from banking, business and social enterprise sectors to the credit panel process.



# An overview of 2017 lending

£1,552,500

Approved loans to 19 organisations  
(£859,515 drawn)

£81,710

Average approved loan amount  
for 19 organisations

£193,275

Average approved loan amount across  
portfolio (all organisations in 2017  
portfolio)

£7,374,968

Funds available to lend  
at year end

£3,710,211

Overall portfolio value at year end

## Portfolio split by value (at year end)



Community development financial institutions (CDFIs) are financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth and other disadvantaged people and communities join the economic mainstream.

In line with our aims in 2017, the proportion of the portfolio invested directly into social enterprises has increased by

**25%**

When social enterprises said they needed lower cost, more flexible funding arrangements in 2016, we listened!

65%

Of our portfolio are now using our **flexible loan offering** (involving capital and/or interest repayment holidays)

6.3%

Is the **average interest rate** of the loans in our portfolio in 2017. This is amongst the most competitive rates in the market.



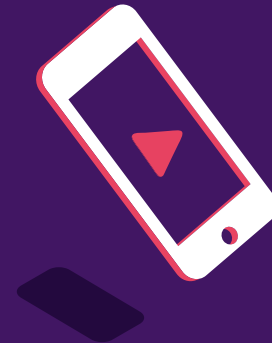
## Case Study: Harmony Community Trust

Harmony Community Trust is all about bringing people together. It does this at Glebe House, a unique and special place in Northern Ireland that children, young people and adults have been visiting since 1975. Its vibrant programmes engage children, teenagers and senior citizens in a neutral environment, challenging assumptions and allowing bridges to be built between people from different backgrounds – still vital in Northern Irish communities. In recent years the Trust has also developed and delivered a range of programmes to address problems of rural isolation, particularly for older people.

And it's clear how much fun it is. Alisha used to stay at Glebe as a child and now comes back to volunteer: "When I used to come here I was so excited. I always knew I was going to come back and do volunteering. I just loved it here. We never wanted to leave."

Through its activities Harmony Community Trust also gives children and young people from disadvantaged families a break. "One of the main things that our young people have in common is that they don't have very much", explains Julie Gibson, Children's Programme Worker.

But with a reduction in statutory funding, Glebe House came under threat. Ulster Bank put Harmony Community Trust in touch with Social & Community Capital. We were able to offer a loan with flexible terms, including an interest-free period that is allowing Harmony Community Trust to develop a sustainable business model. This has been of significant benefit to everyone at Glebe House – as Council Member Helen Honeyman explains, "we probably would have gone out of business without this loan."



To see Harmony Community Trust's story on video, go to [www.natwest.com/scc](http://www.natwest.com/scc)

**"We probably would have gone out of business without this loan."**





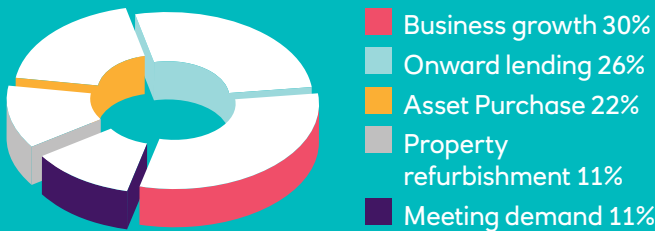
# Our impact in 2017



## Where did our funds go?

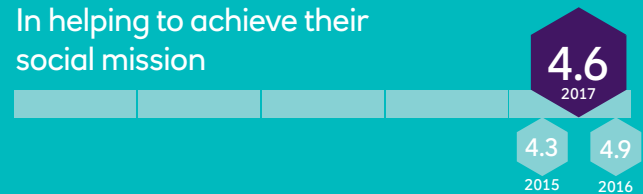


## What did customers do with their loan?



## How customers rated the significance of their loan

In helping to achieve their social mission



In helping to improve their financial sustainability



As a result of our investment our customers have seen over:

**40,000**

People supported

**100**

Groups supported

**730**

Jobs created\*

**340**

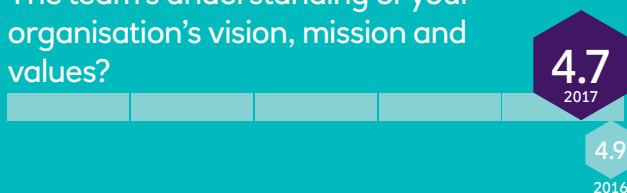
Jobs maintained

\*Jobs created within the enterprise/CDFI we have funded or through their work.

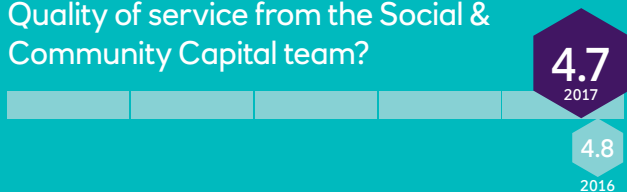
## What our customers say

We're keen to continue improving how we support our customers. We asked our 2017 customers to rate us on a scale of 1 to 5 against the criteria below:

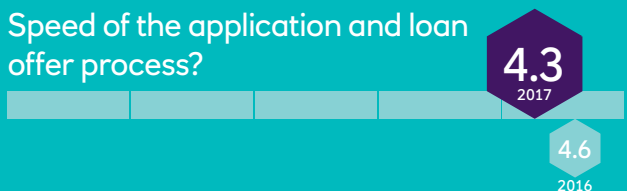
The team's understanding of your organisation's vision, mission and values?



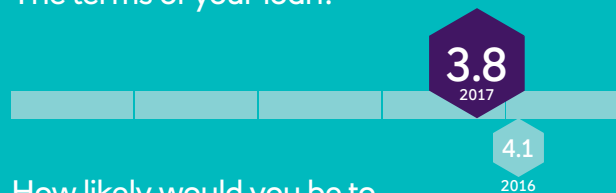
Quality of service from the Social & Community Capital team?



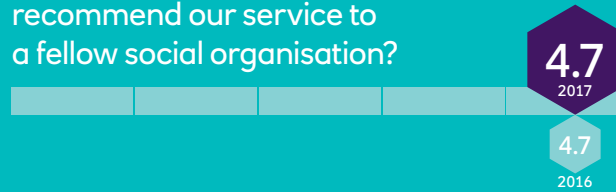
Speed of the application and loan offer process?



The terms of your loan?



How likely would you be to recommend our service to a fellow social organisation?



“The loan has enabled us to kick start a new project which enables us to work with individuals rather than whole communities, and the impact we are making on these individuals and also their role within their communities is significant.”

Kate Stewart, Co-Founder and CEO,  
We Make Places CIC

# How we measure our impact

Over the last two years we have developed a framework to measure our impact in a systematic way. The framework enables us to better assess potential customers against our mission, and better define, measure and evaluate:

1. the impact our customers are able to have as a result of the finance we provide.
2. the impact we're able to have on our customers' efficiency and effectiveness through our finance and wider support.

We now measure impact through three standard metrics that we use with all customers (where relevant) – income growth, number of individuals/ organisations helped and jobs created following our loan. For the first time this year we are able to report some of these figures. We have also started selecting a small number of metrics that are specific to the customer's impact area and beneficiary group, taken from IRIS metrics and Big Society Capital's outcomes matrix. Over the coming years we hope to be able to report on these too.

We also assess all of our customers on an annual basis on the fundamental elements which should be in place for effective social impact, such as the quality of a customer's management structure and how clearly they define their mission. Our aim is that, through our support of these organisations, we can continue to help them make progress in these areas.



# Our impact in 2017

## Organisation overview metrics

These are assessments made by our loans officers to inform and build consistency in our investment decisions (1 to 5).

### Aligning with our mission

How aligned a customer's area of impact is with our own mission and priority impact areas.



### Management quality

How well structured and experienced a customer's management team and processes are.



### Financial track record

How financially robust a customer's organisation is.



### Scalability potential

How much potential a customer shows for innovating and scaling.



## Social impact measurement metrics

Based on New Philanthropy Capital's Impact Assurance Classification, these metrics enable us to assess how developed a customer's approach is to planning and measuring their social impact. This provides a good indication of the actual impact they're likely to have, and so can be used to inform our investment decisions. The metrics below represent the average scores across our 2017 customers, compared with 2016 (0 to 3).

### Mission clarity

Clearly understands and communicates mission and intended impact.



### Output Measurement

How comprehensively outputs are measured.



### Change Measurement

How well outcomes and impact are measured.



To see more on how these impact practice scores are calculated, please refer to page 71 of New Philanthropy Capital's report\*.

\*New Philanthropy Capital's Impact Assurance Classification is detailed in their impact review for the KL Felicitas Foundation, "Investing For Impact: Practical Tools, Lessons and Results" by Abigail Rotheroe, Peter Harrison-Evans, Plum Lomax. [www.thinknpc.org/publications/investing-for-impact-practical-tools-lessons-and-results/](http://www.thinknpc.org/publications/investing-for-impact-practical-tools-lessons-and-results/)

## Social impact classification

Stage 2

Based on these metrics, we classify the overall stage of development a customer is at in terms of their social impact, mission and evaluation. We hope an organisation's overall classification will improve through the support we offer alongside our finance.

To see how this is calculated see page 20-21 of New Philanthropy Capital's report\*

## Case Study: Vi-Ability



To see Vi-Ability's story on video, go to [www.natwest.com/scc](http://www.natwest.com/scc)

Vi-Ability uses sports business to attract, educate and inspire young people who are struggling to find employment. Working with high profile sports partners, Vi-Ability runs a variety of professional training programmes, culminating in a participant-led community sports event and a coaching or sports management qualification, giving young people the boost they need to kick-start their careers.

Participants benefit hugely from the programme and the CV and job application support offered alongside it. As Daniel explains: "Before I came on to Vi-Ability I wasn't going out. I wasn't interacting with people. This course has really helped me communicate better. It's a cracking experience, I'm really enjoying it. I think it's fantastic how they have helped me through my applications, told me that I can do it, and there's no such word as can't."

And what they do delivers results. Vi-Ability works with around 300 young people each year, with 75% of these progressing into positive outcomes, such as employment and further education. By creating a new, young, diverse, trained workforce passionate about sport, Vi-Ability is also helping community sports clubs to become thriving, sustainable businesses at the heart of their local area.

Social & Community Capital provided Vi-Ability with a loan to enable them to expand their business. As Adam Bull, CEO explains: "We're going to be able to work with more professional sports partners in different locations across the UK and in different sports. So we're able to grow our business and then transform more young lives."



“Before I came on to Vi-Ability I wasn’t going out. I wasn’t interacting with people. This course has really helped me communicate better. It’s a cracking experience, I’m really enjoying it.”





# Looking ahead

Working in the Enterprise and Community Finance team, that NatWest Social & Community Capital calls home, has got to be one of the best jobs within UK Banking.

I'm so very proud of what the team has achieved in 2017, delivering social impact across the whole of the UK for the first time and continuing to confirm our position as a truly unique entity within UK banking.

The benefits of this work are plain to see for the social entrepreneurial leaders, enterprises, beneficiaries and communities.

## **Customer feedback tells us if we're taking the right approach**

So I'd like to thank all the customers who've taken the time to feature as our case studies and feed back through our customer survey.

We know from the recently launched Global Entrepreneurship monitor that making a difference and creating meaning is a really important driver for people from all backgrounds.

We've seen an increase in entrepreneurial activity amongst the younger generation. We also know that 66% of females starting or running an enterprise do so with the aim of contributing towards society and 58% wish to help others in need. With this in mind, it's important that the team continue to champion a diverse range of social businesses in 2018 and beyond.

## **We strive to be more than just a lender**

We give added business support which only comes from having a clear knowledge of the sector and having the passion and drive to make it happen.

As both Megan and Simon have mentioned earlier, there will always be highs and lows to navigate. It's so tough for social entrepreneurs to find the balance between having a social impact and being financially



“The benefits of this work are plain to see for the social entrepreneurial leaders, enterprises, beneficiaries and communities.”

sustainable for the long term. By working with external partners the team adds value to enterprises across the UK. It's great to see the work they do with organisations such as SEUK, where NatWest is sponsoring their Places programme for the next two years and ACEVO, working together with leaders in the industry.

We're also the only bank to have a network of Business Growth Enablers<sup>1</sup> across every community in the UK, offering free business support seminars, networking and educational events. These events are for everyone, regardless of who they bank with, with the aims of growing local communities and increasing opportunity, personal wealth and employment.

For high growth businesses looking to scale, including those with a social aim, we offer our Entrepreneur Accelerator programme<sup>2</sup> through hubs right across the UK. This is completely free of charge with no equity stake required.

**We've seen the fund lend more money in 2017 than ever before**

We've achieved this with a clear strategy, industry knowledge and making the most of the existing advocate network. I'm also delighted to see the increased growth pipeline already in place for 2018.

We must continue to support our customers, by being effortless everyday and brilliant when it matters. Only with this continued commitment and by constantly improving the way we work will we continue to achieve the aims of S&CC set out almost 20 years ago.



**Julie Baker**  
Head of Enterprise and  
Community Finance



1 Go to [www.rbs.co.uk/business](http://www.rbs.co.uk/business) or [www.natwest.com/business](http://www.natwest.com/business) to find out more about Business Growth Enablers.

2 [www.business.natwest.com/business/services/accelerator.html](http://www.business.natwest.com/business/services/accelerator.html) or [www.business.rbs.co.uk/business/services/accelerator.html](http://www.business.rbs.co.uk/business/services/accelerator.html) has all the information on how to apply for the Entrepreneur Accelerator programme.

# Wider NatWest support for the social enterprise sector

Supporting the social enterprise sector is an integral part of NatWest's strategy to make a positive difference to local communities. We work together with a range of partners and networks to create opportunities and initiatives aimed at strengthening social enterprise.



## NatWest SE100 Awards

Our annual awards recognise the best of social enterprise in the UK. We recognise the top performing social enterprises across a range of categories including Growth; Social Impact; Leadership; Resilience; Storytelling and Newcomer.

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For details on past winners and how to apply, please see: [www.se100.net/awards](http://www.se100.net/awards)



## NatWest SE100 Index

NatWest is a co-founder of the NatWest SE100 Index. The index is the only real-time market benchmarking tool for social enterprises.

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For full details on how to sign up, please see: [www.se100.net/user/register](http://www.se100.net/user/register)

## Wise100 Index

This initiative aims to recognise inspiring and influential women in the social enterprise sector.

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For details on the list please visit: [www.wise100.co.uk/index.html](http://www.wise100.co.uk/index.html)

## Social Enterprise UK (SEUK)

In 2018 we will be working alongside SEUK as principal sponsor of their Places Programme, to support the development of social enterprises around the UK.

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For more details, please see: [www.socialenterprise.org.uk/about-places](http://www.socialenterprise.org.uk/about-places)

We have also produced a guide with SEUK on how to start a social enterprise.

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See: [www.socialenterprise.org.uk/start-your-social-enterprise](http://www.socialenterprise.org.uk/start-your-social-enterprise)

## Other partners include:

- ACEVO
- ACOSVO
- Community Transport Association
- Development Trust Association Scotland
- Locality
- Senscot
- Social Enterprise Northern Ireland

“We applied to 30 different banks but were refused the support we needed to continue with our charitable work with disabled and disadvantaged people. The Social & Community Capital loan provided us with essential resources while we raised funds from the sale of a lease of part of our building... the level of professionalism and understanding we received from everyone we had contact with was really appreciated. The team were always at the end of a phone or available to visit and all gave excellent advice and support at what was a very difficult time for us.”

Disability Times Trust

**We would like to thank  
our board of trustees:**

Simon Jacobs (Chair)

Thom Kenrick

Bernie Morgan

Maya Prabhu

Andrew Robinson

David Thomas

**Company Secretary:**

Kate Ramage

## Further information

For further information about NatWest Social & Community Capital, contact:

Megan Peat  
CEO, NatWest Social & Community Capital

✉ [megan.peat@natwest.com](mailto:megan.peat@natwest.com)

☎ 020 7672 1411

🌐 [www.natwest.com/scc](http://www.natwest.com/scc)

For further information about NatWest's wider support of community finance and social enterprise, contact:

Julie Baker  
Head of Enterprise and Community Finance, Business Banking

✉ [julie.baker@natwest.com](mailto:julie.baker@natwest.com)

☎ 07919 045700

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