Blogs

The social investment arguments are not black and white

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Social finance is not wrong for the voluntary sector - but we must learn lessons from history, says Ashley Horsey.

It was reported last month that at an event recently Kathy Evans, CEO at Children England, said social finance is "absolutely the wrong thing" for the voluntary sector.

She went on to say that the voluntary sector is the only part of British society not yet "saddled with debt" and that pursuing a social finance model could compromise the future of the sector. She also noted that the sector had become obsessed with winning tenders. She said charities which focused on making money were starting to "behave like Burger King" and that these charities risked losing everything which made them unique.

I am sure she was not harking back to any long-lost halcyon days and from reading reports about her comments they were certainly not formed simply by rose-tinted nostalgia, but as is often the way with media reports they were presented perhaps too simplistically and certainly too black and white for my liking.

In terms of winning tenders, the genie is out of the bottle. The future for the voluntary sector as it increasingly becomes a, or even the, delivery agent for what were previously public services has already been mapped out by the recent history of the voluntary housing association movement. From the late 1980s they leapt at the chance to become the main providers of social housing, seizing the opportunity afforded by a dominant small-state political philosophy of the time.

Twenty years on you effectively have a dichotomy between the inevitable large 'post merger and takeover' housing group behemoths and a multitude of small frequently un-listened to and increasingly marginalised 'others'. This also manifests itself in an increasing public and political antipathy towards housing associations because people don't understand what they are; they feel they have forgotten what their founding principles were; they are seen as private companies (which they are not) and, at the same time, expect them (understandably) to be subject to public scrutiny and accountability because they are receiving millions/billions of pounds of public money through grants, housing benefit and other commissioned services. Yet, I suggest, that was all inevitable and probably predictable; but if I am talking with the luxury of hindsight we should certainly learn lessons for the current voluntary charity sector.

For the charity sector as soon as the first CEO felt their charity could deliver a service better than local government or the central state and were commissioned so to do there was no going back. Charities see this as their time, their chance to shine whereas those perhaps move devious see them as simply another vehicle for dismantling the state and the structures of public or civil society. When you take the Queen's shilling to deliver what the state (central or local) wants, you are committing to dancing to their tune and it is nothing short of naïve to think it will even be anything other than that. We can only hope that those charities hoovering up public contracts and pinning their organisations' futures on such activity are doing it with their eyes wide open and the good of their beneficiaries, current and future, to the fore.

In terms of Evans' comments on debt and social finance, while I have some sympathy with the sentiments it is again too stark and too simplistic a choice. Finance, borrowing, debt, investment - call it what you will - is absolutely not appropriate for all charities and voluntary sector organisations but for some it is. Social investment is a case in point, from engaged, enlightened investors who see supporting the work of the voluntary sector as meeting their own mission objectives and not just purely as a financial transaction. The growth of social investment from trusts, foundations and other specialist funds has been significant, and I believe positive, over recent years….but only where it is deployed appropriately – debt and borrowing without good reason even from those perceived as more supportive, benign funders, is unlikely to be any sort of panacea; but it certainly has a place.

Commonweal Housing's experience

Commonweal Housing has successfully developed two innovative social investment deals over the last year or so amounting to £4m – funding that has enables us to acquire up to 13 houses for two different shared housing

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schemes supporting young people leaving care, former rough sleepers and those facing destitution in the asylum system. Through this we have engaged with five different social investors and we have jointly gone on a voyage of discovery to understand each side's drivers and expectations. Productive deals can be done when these hopes and expectations coincide.

We are perhaps lucky in that our core business is providing housing for other voluntary sector partners, we have an asset against which we can secure this investment (borrowing by any other name)…this funding is right for us.
The growth of social finance and social investment could be a double-edged sword if it takes funding out of what might otherwise have been charitable grants and donations. However, it is a positive use of endowed or investment funds that is therefore bringing additional funding directly to the voluntary sector that might otherwise have just been directed in to the shares of GlaxoSmithKline, ICI, Aviva or the like. Better surely to have this money supporting sustainable business models delivering social and mission impact.

The plurality of funding for the charitable and voluntary sector is also one of its strengths but we must be vigilant that borrowing and debt does not become the default and in this I acknowledge the concerns raised by Kathy Evans. There is certainly a discussion to be had even if I suspect I don't agree with her headline statement.

Ashley Horsey is chief executive of the action learning charity Commonweal Housing

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