

# Resonance Bristol SITR Fund: Dismantling Poverty Through Investment in Social Enterprise

Social Impact Report  
First year (2016/17)





## Contents

- 1 Summary
- 2 Context
- 4 Why Bristol?
- 6 Who are the enterprises invested in so far?
- 9 Model of impact
- 10 A. Building connections: people and investment
- 12 B. Fulfilling its intent? Experiences and perceptions
- 14 C. Individual social enterprises do more to restore people in need in Bristol
- 16 D. The fund's contribution to dismantling poverty in Bristol
- 18 Conclusions and actions
- 20 Appendices





## Summary

- **The Resonance Bristol SITR Fund is a pioneering social investment fund aimed at helping to dismantle poverty in Bristol and the surrounding area by investing in local social enterprises.** It takes advantage of Social Investment Tax Relief (SITR) introduced by the Government to provide social enterprises with flexible and affordable finance, and investors with an attractive return on their investment.
- **As well as traditional financial reporting, Resonance produces an annual Social Impact Report for each of its funds.** This allows investors to see how their investment is contributing to impact, and allows Resonance and hopefully investee organisations to improve their impact over time. This report covers the first year of investment by the Resonance Bristol SITR Fund (April 2016 to March 2017).
- **The Fund has been successful in raising and investing funds with £2.1m raised and £900,000 invested so far. These investments have gone into five diverse social enterprises:** South Bristol Sports Centre, PAPER Arts, Bearpit, Bristol 24/7 and Chandos House. The Fund remains open for investment and will continue to invest in a strong pipeline of social enterprises needing investment to grow their impact in the area.
- **The Fund has built relationships across Bristol and beyond.** There are at least 25 examples of Resonance making introductions to enterprises interested in investment and to those the Fund has invested in: to other enterprises, to finance, and to support and expertise. The Fund builds productive and positive relationships with enterprises before, during and after investment. The Fund's investment team is physically present in the city and engaged in local networks. This place-based approach is beginning to show how coordinated investment on a regional basis can make sense from both an investment and impact perspective.
- **Social impact and financial return are well-aligned.** The investment decision-making and aftercare processes are designed to deliver both financial returns and social impact. Enterprises say they appreciate Resonance's engaging approach. Both enterprises and investors speak very positively about the Fund and the professionalism of the Resonance staff.
- **All five social enterprises have increased their impact or have made steps towards doing so.** For example, the construction of six new five-a-side all-weather pitches at South Bristol Sports Centre with investment from the Fund has enabled large increases in participation and a comprehensive social inclusion calendar, reaching out to young people in that area of the city through sport.
- **The Fund has a stated aim to contribute to dismantling poverty and inequality in Bristol and the surrounding area,** which is home to significant wealth as well as areas of striking deprivation. Understanding deeper change like this requires a long-term view. So it is positive that the Fund is "evergreen" and will continue to invest for the long term in diverse social enterprises intentionally addressing these problems from many different angles. While it is too early to expect evidence of change to the whole system at this time, this report starts to map out where this may occur and ensure the aim of dismantling poverty is embedded in the processes of the Fund as well as its motivations. It is notable that several of the initial investees have a focus on providing better opportunities for excluded and marginalised young people.
- **The Fund can build on a strong first year of investment to improve further,** refining the current application process to better suit social enterprises, seeking to further "join the dots" as it builds a coherent portfolio of social enterprise investments across the region, and deepening its understanding of poverty and further embedding this in due diligence and impact measurement as it grows.

## Context

The Resonance Bristol SITR Fund (or the “Fund”) is a pioneering social impact investment fund aimed at helping to dismantle poverty in Bristol and the surrounding area by investing in local social enterprises. It takes advantage of tax relief introduced by HM Government to simultaneously lower the cost of loans for enterprises as they pursue their social mission and to enable a competitive return to investors.

This report covers the first year of the Resonance Bristol SITR Fund, which remains open for investment and is intended to invest into Bristol social enterprise for years to come. This is the first of a number of SITR funds that Resonance is launching, investing in social enterprises in specific city regions around the country.

As well as traditional financial reporting, Resonance produces an annual Social Impact Report for each of its funds. This allows investors to see how their investment is contributing to impact, and allows Resonance and investee organisations to improve their impact over time.

## Financials

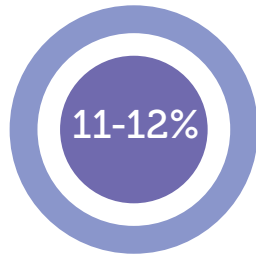
The deployment of the initial investment in the Fund is on track, with roughly half of the investment made over roughly half of the target deployment period (24 months). The investment team has built a strong pipeline of potential investees, including contact with 50-70 social enterprises who are potentially suitable for taking on growth capital from the Fund. Detailed due diligence on both the financial and social impact model of all investees is undertaken by the locally based investment team. The Investment Committee meets regularly to consider investment proposals and, at the time of writing, had visibility of the next three deals for the Fund.

The Fund continues to raise investment on a roughly quarterly basis from individual investors, both directly and through Independent Financial Advisors (IFAs) and Wealth Managers, with a target for the Fund to grow to £5m in the coming year, and then to continue to raise investment and deploy for as long as Bristol social enterprises need capital to grow.

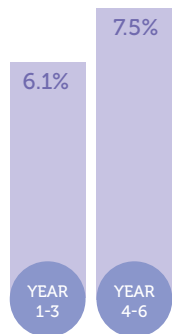




POST-TAX RELIEF  
IRR TARGET

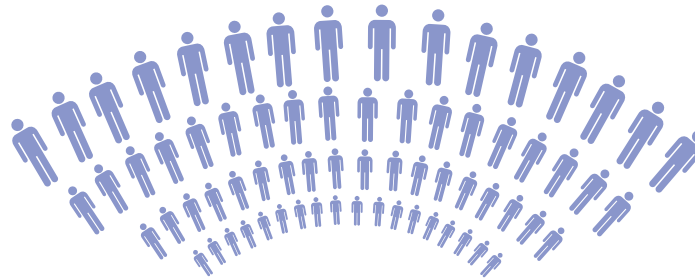


GROSS PRE-TAX  
EQUIVALENT RETURN



AVERAGE COST  
OF FINANCE  
(INTEREST RATE AND  
MONITORING FEES)

70  
INVESTORS



10  
NUMBER OF WEALTH  
MANAGERS & IFAS



## What is SITR?

Social Investment Tax Relief (SITR) was introduced by the Government in April 2014 to encourage investment by individuals into social enterprises – that is, profitable businesses intentionally dedicated to generating social impact and addressing social issues using a business model. It is available to businesses run within three main legal structures: Community Interest Companies, Community Benefit Societies and Charities.

SITR offers similar tax reliefs to those available through the long standing Enterprise Investment Scheme (EIS), which already offers tax relief to individuals investing in the share capital of small businesses in the form of unquoted private companies. However, as many social enterprises cannot issue shares due to their legal structure, this has prevented investors in social enterprises from accessing the tax reliefs available through EIS.

SITR overcomes this obstacle since it can also be claimed on debt based investments into eligible social enterprises. This means investors in social enterprises can now access attractive tax incentives, as well as income from the servicing of their loan note.

## Why Bristol?



**7th**  
LARGEST CITY  
IN ENGLAND



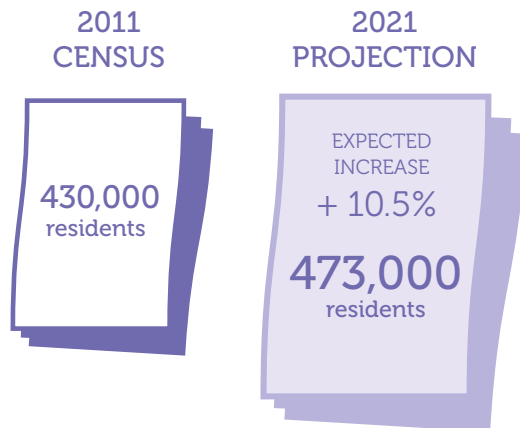
**50**  
COUNTRIES  
OF ORIGIN



**91**  
LANGUAGES  
SPOKEN



**45**  
RELIGIONS

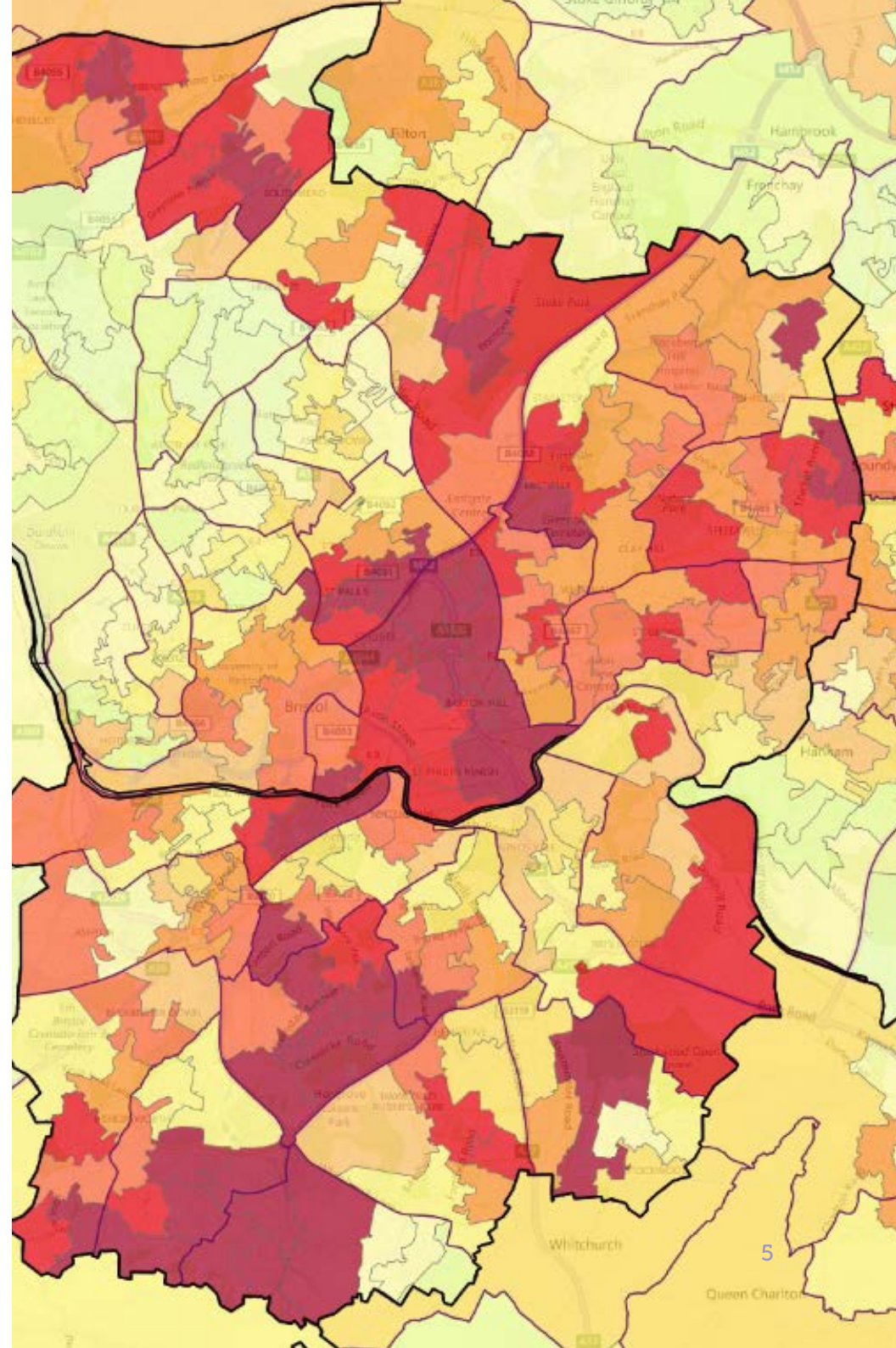


69,000 people live in the 10% most deprived areas in England, including 17,800 children and 10,500 older people.



- **Bristol is a diverse and growing city.** The current population increase is largely driven by rising birth rates as well as by migration, with influxes of people from Eastern Europe and Africa, particularly Somalia. Unlike its West of England neighbours, Bristol's population has a younger age profile; there are more children under sixteen than people of pensionable age. Some areas are very diverse, for example 55% of the population of Lawrence Hill Ward belongs to a black or minority ethnic group.
- **Bristol is home to significant wealth as well as persistent poverty and inequality.** According to the Indices of Multiple Deprivation, 69,000 people live in areas that are among the 10% most deprived in England, with some areas among the most deprived 1%.<sup>1</sup> Over a quarter of children in the city live in poverty once housing costs are taken into account<sup>2</sup>. As the map shows (taken from the Indices of Deprivation 2015), wealthy and poor areas of the city are often found side by side, meaning life opportunities can be very different depending on where you call home. Poverty and inequality are multi-layered – going beyond income to include factors such as health, education and the environment.
- **Bristol has developed a thriving social enterprise sector** committed to supporting these communities through innovative business models, and was recently named as one of the UK's first Social Enterprise Cities. It therefore presents an exciting opportunity to build a strong, diverse portfolio of social enterprise investments, with significant potential for generating social impact at scale.

Having a geographic focus means that the Fund can take a coordinated approach to supporting social enterprises through investment, potentially seeing connections between them, and remaining close to the ground for both identification of enterprises to invest in and monitoring of investments made.



<sup>1</sup> Bristol City Council (2015) "Deprivation in Bristol" <https://www.bristol.gov.uk/documents/20182/32951/Deprivation+in+Bristol+2015/429b2004-eeff-44c5-8044-9e7dcd002faf>

<sup>2</sup> End Child Poverty (2014) "Child Poverty Map of the UK" [http://www.endchildpoverty.org.uk/images/ecp/Report\\_on\\_child\\_poverty\\_map\\_2014.pdf](http://www.endchildpoverty.org.uk/images/ecp/Report_on_child_poverty_map_2014.pdf)

## Who are the enterprises invested in so far?

### 1. SOUTH BRISTOL SPORTS CENTRE



#### WHAT THEY DO

Engaging and including young people through sport, increasing their confidence and offering training, particularly in poor parts of South Bristol

Revenue comes from hiring out facilities to adults.

#### WHAT THE FUND INVESTED

£250k loan over six years (April 2016)

#### USING THE INVESTMENT

Six new five-a-side football pitches suitable for year-round use, increasing engagement by young people and providing a revenue stream from evening hire

#### INTENDED IMPACT

Reaching young people in particularly deprived areas of the city through sport; productive use of time, increasing skills and confidence with opportunities to become coaches.

#### WHAT EXCITED RESONANCE

The fact that SBSC was established with a charitable purpose and had an "inclusion manager" set it apart from other sports centres. It was clear that this person has a passion to see young people reach their potential by giving them the support and self-confidence to do so.

### 2. PAPER ARTS



#### WHAT THEY DO

Helping creative young people develop their potential

Revenue comes from offering membership and workspace to creative and social entrepreneurs.

#### WHAT THE FUND INVESTED

£200k loan over six years (April 2016), plus a second £40k over six years (November 2016)

#### USING THE INVESTMENT

Acquiring and refurbishing an unused property to create a new space to engage more people; restructuring the business

#### INTENDED IMPACT

Empowering young creatives to develop their confidence, artistic skills and employment prospects

#### WHAT EXCITED RESONANCE

The drive and commitment of their CEO to create a platform for artists to make a living from their Art was inspiring. Alongside this, it supports artists by offering business training and encourages those artists in turn, to train and mentor young people new to the sector, with particular focus on those who need support and encouragement.

### 3. BRISTOL 24/7



#### WHAT THEY DO

Local journalism: online newsletter and printed magazine celebrating Bristol and covering local news and social issues.

Revenue comes from advertising.

#### WHAT THE FUND INVESTED

£150k loan over six years (June 2016)

#### USING THE INVESTMENT

New software and training to set up local hubs to enable local people to contribute articles and photos

#### INTENDED IMPACT

Income for users from advertising

New skills and opportunities in media for underserved groups

#### WHAT EXCITED RESONANCE

Resonance were surprised to learn that this popular and successful publication and media hub was a CIC, and were excited to learn that the senior directors wanted to use this as a vehicle for communities often misrepresented in the media to have a voice.



## 4. BEARPIT BRISTOL



### WHAT THEY DO

Regenerating the St James Roundabout area using food, retail and community events

Revenue comes from trading activities.

### WHAT THE FUND INVESTED

£112k loan over six years (December 2016)

### USING THE INVESTMENT

Three existing social enterprises come together and use the investment to improve the space and purchase electronic sales equipment

### INTENDED IMPACT

Reducing crime and antisocial behaviour by creating a safer, more welcoming destination

Increased economic activity creating new jobs with a training programme for people from disadvantaged backgrounds

### WHAT EXCITED RESONANCE

The three businesses trading in this difficult area were so committed to regaining the space for the local community they decided to give up their individual status and merge into a single Community Interest Company. The new stronger business is also keen to offer structured training and work experience to young people who have struggled to find this elsewhere.

## 5. CHANDOS HOUSE



### WHAT THEY DO

Residential treatment, therapy and follow up support for people with drug and alcohol dependencies

Revenue comes from charging wealthier clients for services.

### WHAT THE FUND INVESTED

£150k loan over six years (April 2017)

### USING THE INVESTMENT

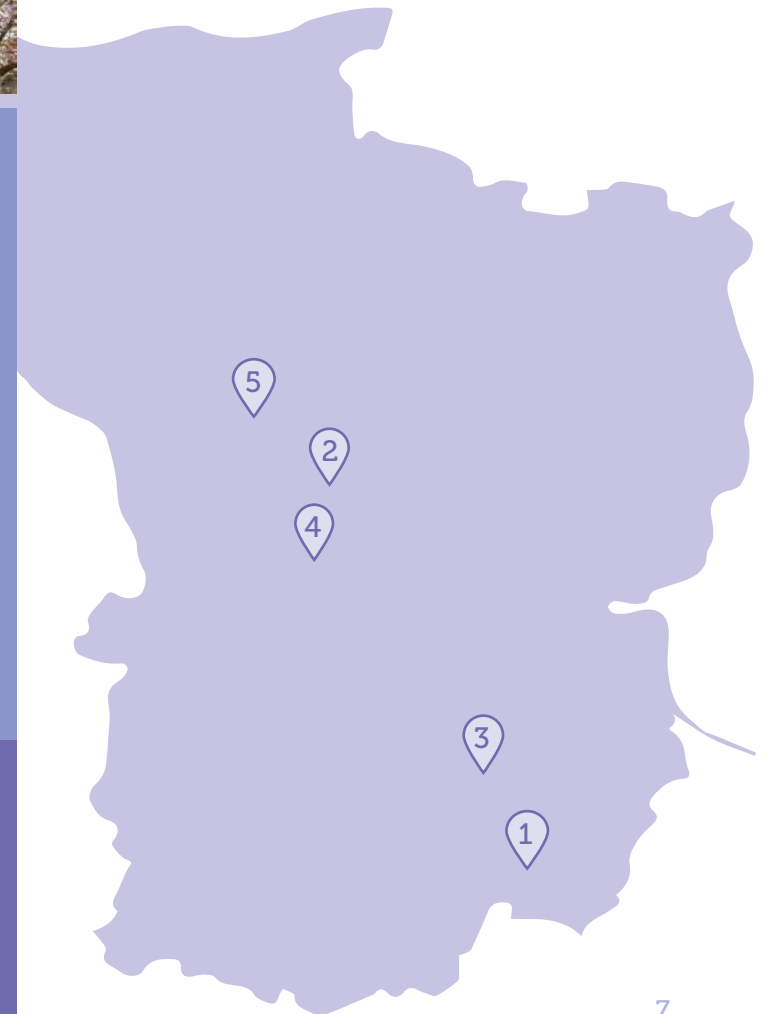
Physical improvements to Chandos House, strengthening the management team

### INTENDED IMPACT

Reducing drug and alcohol dependency, improving mental health by increasing social skills, confidence and self-responsibility

### WHAT EXCITED RESONANCE

This is more than a rehabilitation centre, it is a community, a sanctuary and a place to be oneself. In short it feels like home for those that require it, and it has been doing this successfully for over 30 years. Many of its clients have suffered terrible childhood traumas; as such their methods are not simply based around counselling but include therapeutic intervention and holistic wellbeing, offering a genuine opportunity to change, and making this accessible for many who cannot afford private treatment.



## Voices from the enterprises

### 1. Bristol Sports Centre:

Billy Downes, 23, said: "South Bristol Sports Centre has helped me use football to get away from my troubled background and get back in a classroom – a place I hated. I've now completed a number of FA coaching qualifications and have become a professional coach. I pride myself in being able to inspire children and build relationships to help them develop – not only in sport, but as people – and I specialise in working with the 'hard to reach children', as I have been there and can relate. I'm now also supporting SBSC's new "FutureFIVES" programme, a Youth Council giving young people a voice to design and deliver their own sessions on brand new football pitches. Then we can find out what they are really interested in and support their development through that – which is what got me to where I am today."

### 2. PAPER Arts:

Alice Pain, 24, said, "PAPER Arts has been a valuable source to gain much needed knowledge of how to make what I love doing into a business and gives me the chance to discuss ideas with other creatives."

### 3. Bristol 24/7:

Meena Alexander was one of the first young people to do work experience at Bristol 24/7. Meena, who is from a BME background with no appropriate qualifications or media background, has progressed from work experience, to a part time role with the magazine as editorial assistant and now a move to London where she is doing a journalism course at News Associates in Wimbledon. Meena has also landed a job at the Times on the production desk in the evenings. Meena commented: "I really couldn't think of a better place to start my journalistic career than Bristol24/7. I was thrown in at the deep end and treated like an important member of the team from day one – not a tea tray or photocopier in sight. I learned such a wide variety of skills that have been invaluable; from writing to editing, interviewing to photojournalism. I know I will be putting everything I learned about journalism at Bristol24/7 to good use for years to come."



*Chandos House  
rowing expedition*

### 4. Bearpit:

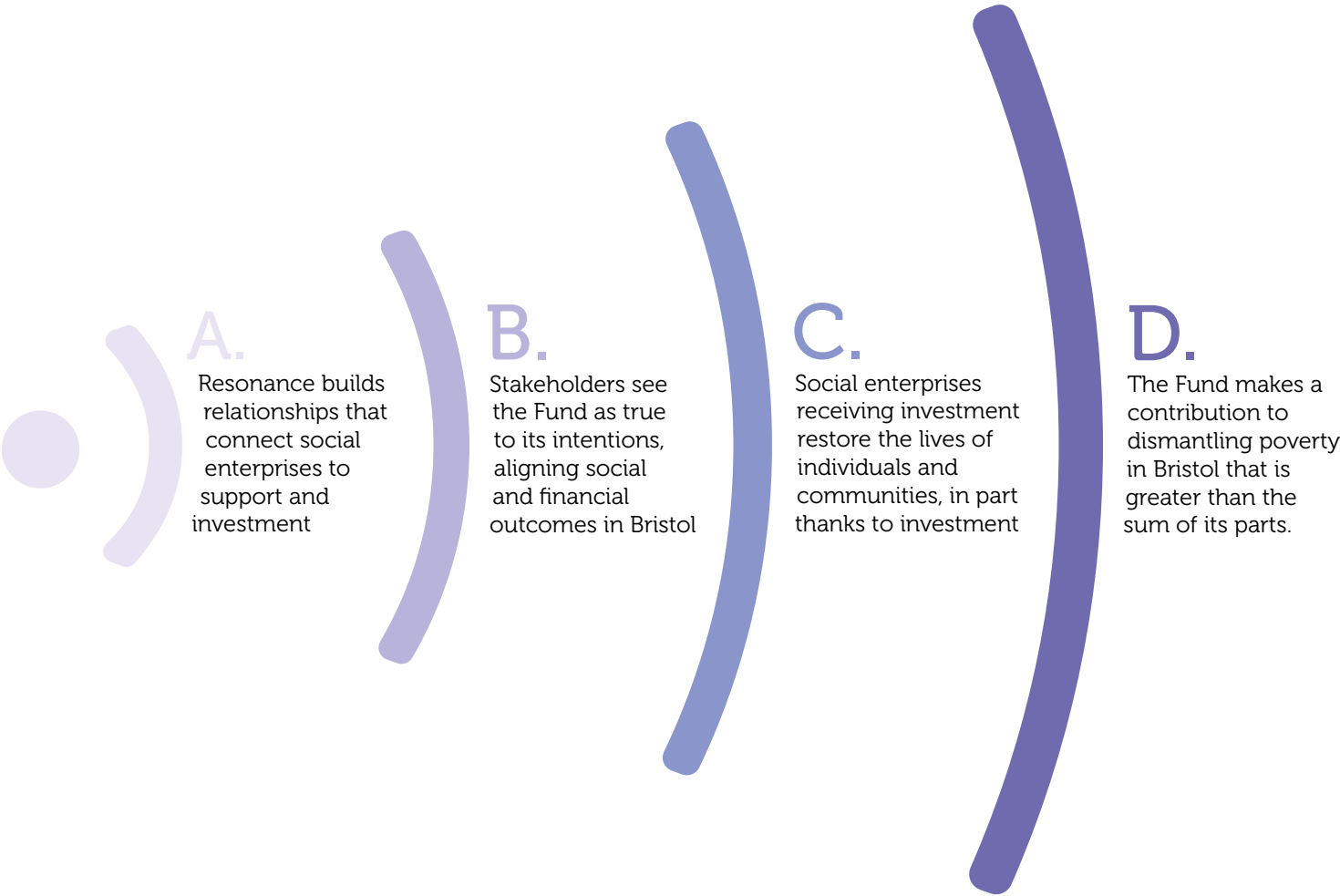
Miriam Delogu, director representing the Bearpit Bristol CIC said: "We are delighted at the quick and timely response from the Resonance Bristol SITR Fund, which has shown that they can align the investment to the need and speed of enterprises when it is required. We had worked hard to make sure we had the right structure for our business, namely a Community Interest Company, and our ambition is to showcase Bristol's first "Community Action Zone" – putting community and diversity at the heart of everything we do".

### 5. Chandos House:

James Dickinson, CEO of Chandos Houses, said of the investment from the Resonance Bristol Fund: "I was referred to Resonance as the active impact investment fund in Bristol and soon after the first discussion, a plan started to come together to strengthen Chandos House as a business and therefore ensuring a sustainable model to support the community offering treatment to those in need for years to come. The team has worked very hard and we are very excited about the changes and improvements this investment enables for our future and continued quality of treatment."

# Model of impact

The Fund's impact can be thought of as a ripple effect, as shown in the diagram below. Each ripple is used as a line of enquiry for this report.







## Building connections: people and investment

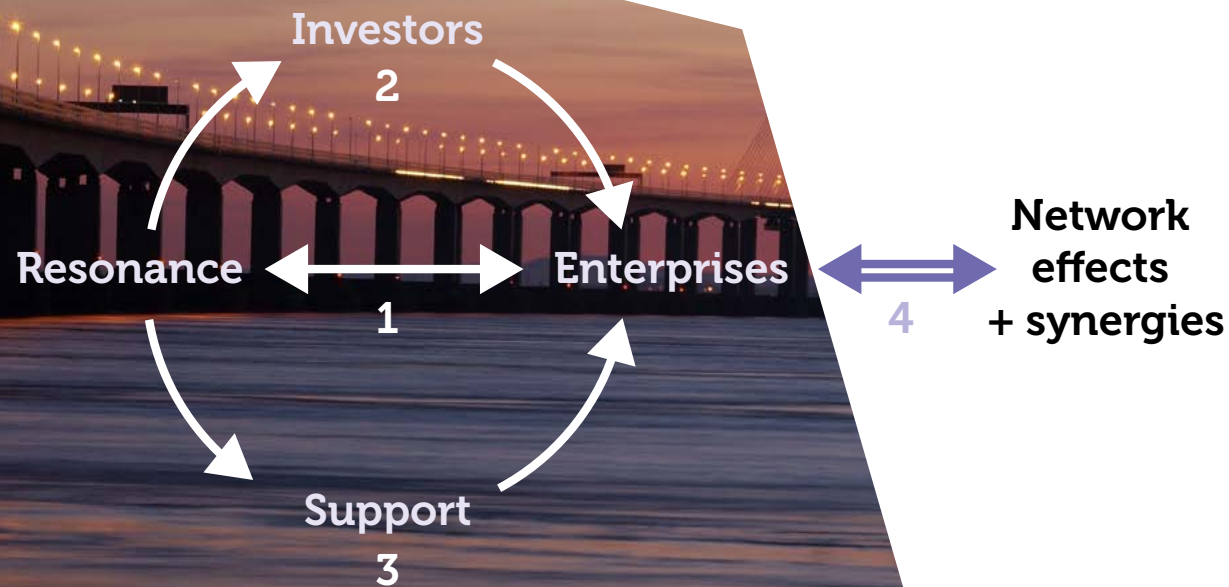
Intention: Resonance builds relationships that connect social enterprises to support and investment

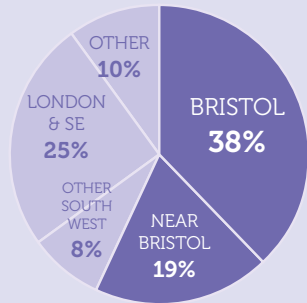
### The Fund helps build and broaden relationships.

There are at least 25 examples of Resonance making introductions, predominantly involving enterprises: to other enterprises, to finance, and to support. This includes enterprises that are not yet receiving investment but may be in the investment pipeline. Four main types of connection were identified in the course of the work. These are shown in the diagram.

### 1. The Fund generally builds productive and positive relationships with enterprises before, during and after investment.

Resonance are part of networks across Bristol and build relationships with potential investee enterprises. Some enterprises are “sign-posted” to other providers of investment readiness help or funding if investment from the Fund is not yet the appropriate solution, but may come back to it in future. Several enterprises referred to feeling psychologically supported and “backed-up” during the application process. Moreover, the relationship continues once the enterprises have received investment and enterprises welcome this ongoing interaction. This goes on behind the scenes with members of the investment team attending investee Board meetings, providing input and support.





**Place matters for enterprises, investors and Resonance:**

Over half of investors are from Bristol or the surrounding area

Rathbones Greenbank uses a nominee account. This means that 22 individual investors advised by Rathbones invest via a single account that is managed on their behalf. The location of these investors is not known so they have been excluded from the chart, which shows the other 48 investors. From conversation with Rathbones, it seems that the geographical spread of their investors is likely to be similar, although it should be noted that more precise data could affect the overall percentages.

**2. The Fund demonstrably builds bridges between investors and social enterprises that support the flow of capital.** At its simplest, this is visible in the flow of investment, with £900k invested in five enterprises, as covered above. For investors whose location is known, over half of investors have so far come from Bristol or the surrounding area. This seems to be the case both for advised and non-advised investors. Two of the IFAs/wealth managers interviewed described a filtering process for identifying clients likely to be interested and noted that a connection to Bristol was important to some, but by no means all, investors. Meanwhile, non-advised investors often have an existing relationship with Resonance. However, there are some new relationships where the investor had approached Resonance specifically about the Bristol Fund, including as a result of media coverage.

In addition to the use of SITR, which is perceived as a favourable mechanism by investors and their advisors, UBS Wealth Management’s early involvement in the Fund, providing sponsorship for start-up costs and, more importantly, putting the Fund through its own due diligence so that its client advisors could recommend it to clients, strengthened the credentials of the Fund from the point of view of investors, motivating those in and beyond the city.

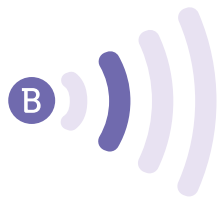
**Some of the wealth managers and IFAs whose clients have invested in the Resonance Bristol SITR Fund are:**



Both enterprises and some investors (or their representatives) expressed a desire to meet each other and build on the financial relationships. This was planned for from the start of the Fund, with an annual “marketplace” event at which this interaction between enterprises and investors can happen. The first of these is happening in June 2017.

**3. The Fund brokers broader relationships.** Resonance has a broad network across the city and has connected enterprises with experts in marketing and finance, some of whom have become non-executive directors of those enterprises. As part of the design of the Fund, Resonance has created a Business Support Network composed of people who are willing to offer their time and expertise on either a pro bono or paid basis. Some of this support came from existing members; others have been invited and joined the network after Resonance had introduced them to one of the enterprises. Resonance has also brokered relationships with organisations sharing similar aims, for example being joined by Esmée Fairbairn Foundation as co-investors in one enterprise and championing use of the Access Foundation’s Reach Fund, with three applications approved so far and more in the pipeline.

**4. There is evidence of possible network effects and synergies.** There is some evidence that investment has a catalytic effect within Bristol, meaning the investment so far is achieving more than simply helping five isolated enterprises do better individually. Some, such as PAPER Arts and Bristol 24/7 are collaborating following an introduction from Resonance. For some enterprises, such as Bristol 24/7 and the Bearpit, their own mission and impact involves them connecting people in Bristol, so investment in them accelerates the development of networks. In addition, enterprises say they have strengthened existing relationships, such as between South Bristol Sports Centre and Bristol City Community Trust. They attribute this to both the Fund’s investment and the validation that comes with that. Taken together, this begins to show the potential value of this kind of place-based, regionally embedded approach to social impact investment.



## Fulfilling its intent? Experiences and perceptions

Intention: Stakeholders see the Fund as true to its intentions, aligning social and financial outcomes in Bristol.

**The design of the Fund seeks to ensure alignment of both financial returns and social impact.** This is intentional. Choosing SITR as a mechanism requires particular organisational structures which in turn ensure that the organisation must work for the benefit of the community. All of the businesses that have received investment are structured as Community Interest Companies (CICs), except for one which is a charity with a CIC subsidiary. CICs are a type of limited company that have additional requirements to benefit the community, as well as limits on dividends and an asset lock.

**The investment decision-making and monitoring/aftercare process is designed to be robust for both social and financial outcomes.** From the outset, Resonance asks questions to help it determine the organisation's social impact as well as its commercial underpinning. While the application process is perceived as demanding and potentially stressful by several enterprises, they recognise that there is good reason for Resonance to be thorough at this point. There is a potential tension in designing due diligence in order to benefit the enterprises as well as meeting the Fund's need for scrutiny before investing. On the whole, the balance is about right, based on the views of enterprises, especially with extra support provided through the Reach Fund for three enterprises so far.

**Enterprises say they appreciate Resonance's engaging approach and compare this positively with other sources of funds.** Resonance is seen as being interested in the good organisations are already doing, compared to other sources of funding that might come with more pre-conceived ideas about the objectives they want met. For example, one enterprise felt that some grant funding from charities or local government effectively told them what project to run. This is in keeping with Resonance's approach of helping social enterprises to grow their impact and organisation in line with the good they are seeking to do and their own unique models for achieving that. On the whole, enterprises feel engaged rather than being simply monitored. In one case an enterprise required closer monitoring and more intensive work with the investment team to assist in restructuring an element of its business model after investment – this was appreciated by the enterprise as a contribution to its ongoing sustainability and impact, as well as preserving investors' interests.

**There is a good fit between the Fund's intent and what investors want to see.** Whilst investors' perspectives are largely based on what they have seen of the Fund's activity – mainly quarterly updates summarising investments made, prior to publication of this first Social Impact Report – they are happy with what is communicated and recognise that more information on social impact will be available as the Fund and enterprises progress. Some are looking forward to more direct contact including via events. Furthermore, investors say they are impressed by the high levels of expertise, dedication and professionalism shown by the Resonance team.



There is evidence that **some investments have already deepened or broadened social impact but there is less confidence, as might be expected at this early stage, that this yet amounts to a wider contribution to dismantling poverty.** Three enterprises (SBSC, Bearpit and Bristol 24/7) report that they can already increase social inclusion as the investment has increased the resources they have to focus more on marginalised groups, which is an early signal of fulfilling this intent.

**The Fund is offering inspiration in terms of social investment and social enterprise in Bristol.** For instance, enterprises are inspired to apply, to create new structures and to learn about anything from financial modelling to impact measurement in the process. In several cases, existing and potential investees have been inspired to develop growth plans or take opportunities for new projects as a direct result of the Fund's existence. There are some signs that active engagement by Resonance has helped to strengthen social impact and better align it with a financial return as a result of their work with enterprises. Resonance itself is committed to using the Fund's experience to further inspire good social enterprise, and received an SITR Trailblazers Award for its work on the Fund.



*Meena Alexander  
at Bristol 24/7*



*Food at the Bearpit*



## Individual social enterprises do more to restore people in need in Bristol

Intention: Social enterprises receiving investment restore the lives of individuals and communities, in part thanks to investment.

The five enterprises that have received investment are diverse not only in terms of their sectors but also their own approaches to impact. They are at different stages of development and this can affect what kind of impact one might reasonably expect to see, whether now or in the future. For example, South Bristol Sports Centre was in a strong position to expand as soon as it received investment, while PAPER Arts shifted to a new building in need of substantial work and diversified their activities, and Chandos House is currently consolidating its activities after receiving funds in April 2017. This suggests three main stages that enterprises may be at. Whilst an enterprise may have elements of more than one of these (even all three), it could be thought of as the dominant characteristics enterprises show:

- Where they are expanding, social impact might be expected to increase quite quickly;
- Where they are consolidating, more time is likely to be required for social impact to become apparent;
- Where an enterprise is reshaping, for instance by undertaking something new and/or changing the way that it currently operates, both its social impact and financial model are in flux. Again, some time may be required before impact is clear.

The table below shows not only what impact the enterprises have in Bristol, but also the changes they attribute more specifically to the Fund. This celebrates the overall impact of the social enterprises at the same time as ensuring that the Fund's contribution to their overall impact is understood appropriately.

## South Bristol Sports Centre

### Overall impact

- SBSC uses its 'social inclusion' football sessions to engage young people in something productive, develop their talents, increase confidence and help them turn their passion for sport into a career.
- 3000-4000 people now using five-a-side pitches each week.
- A comprehensive social inclusion calendar with a community-focused activity almost every evening: e.g. girls-only, disability, inter-school, mental health and 'Man v. Fat' (combining competitive football with weight loss).
- The Youth Council are the "eight most powerful young people in south Bristol", according to SBSC, as they determine use of the facilities at certain times of day.
- Holiday camps target most deprived areas, providing food and transport for young people.

### What they say the Fund has done

- Helped finance construction of six new five-a-side all-weather pitches allowing for large increases in participation.
- SBSC feel "backed-up" to focus more on community events and social impact. Work on social inclusion not supported by new sources of revenue, which now comes from hiring out pitches to adult football leagues later in the evening.
- They have been able to target the most deprived areas.
- More jobs created, both due to increased demand for expanded facilities and by helping disadvantaged young people gain coaching qualifications.

## PAPER Arts

- Helping creative young people who are unemployed to develop their potential through art. Some of the young people are vulnerable; they may suffer from mental health issues or be long-term unemployed.
- Creating 24 extended work opportunities in the creative industry for young people starting out in their career in 2016.
- Providing 93 hours of one-to-one mentoring in 2016 for young creatives, increasing confidence and building networks in the industry.

## Bristol 24/7

- Uncovering positive stories of inspiring people and projects across the 14 wards of Bristol, paying particular attention to those communities currently underserved and underrepresented.
- Creating work experience and career opportunities in media and increasing skill levels in related areas for those who are currently marginalised.
- Partnered with Babbasa Youth Empowerment Project, a voluntary group set up to support young people from Bristol's disadvantaged and ethnically diverse inner city areas to pursue their professional or entrepreneurial aspirations.

## Bearpit

- Reducing antisocial and criminal activity by creating a safe and welcoming destination through increased trading activities.
- Building a more diverse and inclusive community by creating and supporting community events, e.g. "Bearpit Banquet" with 100 people at two sittings.
- Monthly stakeholder group created with police, city council, drug and alcohol agencies and hotels. This has overseen a reduction in crime in the last six months.
- Providing a training programme that equips people who have struggled to access employment with skills and experience to better succeed in work.

## Chandos House

- Helps people towards an alcohol and drug-free lifestyle by treating the whole person within a supportive community.
- Intentionally identifies clients who have suffered additional traumatic experiences that affect their ability to cope and seeks to address these root causes.
- Supports the development of social skills and the confidence needed for former substance misusers to take responsibility for their re-entry into the community.

- Allowed for the purchase and renovation of a building (with co-investment) to provide workshop and co-working space, promote social inclusion and revitalise the area.
- The investments and introductions to other funders and two non-executive directors were essential.

- A partnerships manager started in February thanks to the investment. She has met with over 50 different organisations – from corporate to voluntary – to build partnerships and establish B24/7's role in the community. The intention is to give marginalised communities more voice in Bristol.
- Improving work experience through feedback, diversity and mentoring.

- The merger of the three original enterprises to become a CIC was inspired by Resonance and the Fund. This has made it possible to be more efficient (e.g. use a shared kitchen) and allowed them to lengthen opening hours and extend what they offer.
- Given the difficult and demoralising situation the lone entrepreneurs were facing, including intimidation, the enterprises would probably have had to leave the Bearpit if it were not for the investment. This withdrawal could have left the Bearpit without anchor tenants and taken the space back to square one in terms of antisocial behaviour, because of the absence of a positive presence.

- Recent investment from the Fund has given them breathing space and enabled them to better adapt their existing facilities so Chandos House can make the most of its current capacity.
- They look forward to expanding their capacity, and have a plan to leverage the substantial expertise and network they have built up over the years, through skills sharing and advocacy.

There is thus evidence of social impact being achieved by the enterprises themselves, as well as clear signs that their work has broadened or deepened or become more sustainable as a result of Resonance's work and the Fund's investment.



## The Fund's contribution to dismantling poverty in Bristol

Intention: the Fund makes a contribution to dismantling poverty in Bristol that is greater than the sum of its parts.

The Resonance Bristol SIFR Fund has a stated aim to contribute to dismantling poverty in Bristol and the surrounding area. This is a big, ambitious goal that will involve engaging with the systems that contribute to poverty, above and beyond the good that individual enterprises do. The positive impact by social enterprises combined with the Fund as an enabling or amplifying piece of infrastructure is a good start, but it is too early to expect evidence of system-level changes at this point. Understanding so-called "systemic change" requires a longer term view. In this light, it is positive that the Fund is "evergreen", i.e. it intends to continue to both raise and deploy investment for years to come. This means that as well as immediate, visible impacts now and within the next few years, it is also important to look at the medium and longer term in order to understand the aspiration of dismantling poverty.

It is therefore necessary to have a framework to interpret the overall impact of the enterprises and Fund towards this overall objective. This is particularly important because poverty is a complex concept and needs to be looked at in terms of the "lived experience" of people affected by it. The proposal is to use the Sustainable Livelihoods Approach. This is an internationally recognised method for understanding the lives of people experiencing poverty and disadvantage. It is poverty

specific, and recognises that poverty has many dimensions beyond income, enabling the Fund to address issues such as vulnerability, exclusion and the relative nature of poverty in the UK. It is a participatory approach that is based on the belief that people experiencing poverty have abilities and assets that can be used to help them manage and improve their lives. Equally, they may lack access to necessary resources. These 'livelihood assets' are categorised as human, social, physical, financial and environmental. Whilst some interventions focus only upon a single aspect of someone's life, typically their income or earnings, interventions which recognise the benefits of a holistic approach can be more effective in supporting people to make positive changes in their lives. The Sustainable Livelihoods Approach recognises that these livelihood assets are all interlinked and need to be considered together in order to understand the best strategies to employ to improve someone's situation.

In future, this approach could be used as a model and descriptive tool for individuals interacting with the enterprises, for households and communities in deprived areas of Bristol, or for Bristol as a whole. While we would not expect to see systemic change after one year of the Fund, we should be able to start to see where there may be opportunities for transformation. How the current enterprises relate to the five livelihood assets is mapped in the table below.



## What is the difference made by each enterprise to the livelihood assets available to the people they serve?

	HUMAN	SOCIAL	PHYSICAL	FINANCIAL	ENVIRONMENTAL <sup>3</sup>	UNDERSTANDING POVERTY
	Skills, knowledge, the physical and mental strengths needed to work and take up employment.	Formal and informal relationships with family, friends and neighbours as well as the wider community.	Decent housing, affordable transport, work clothes or equipment, basic white goods, a computer, a sewing machine, and so on.	Earned income, savings, pensions, credit facilities, state (welfare) benefits, child maintenance received and so on.	Greener energy generation, reducing energy demand, improving biodiversity, air quality, improved public space etc.	How the Sustainable Livelihoods Approach helps us to understand enterprises' contributions to reducing poverty.
<b>SOUTH BRISTOL SPORTS CENTRE</b>	Physical health, knowledge and training ✓✓	Group activities ✓	New sports pitches available to community ✓✓	Income from employment ✓	N/A	South Bristol has concentrations of deprivation, which includes lower opportunities and lower health, both of which SBSC seeks to counter with new facilities, courses and training opportunities. They revitalise their community by deliberately including people of all ages and backgrounds.
<b>PAPER ARTS</b>	Training, mentoring, knowledge ✓✓	Professional and social networks strengthened ✓✓	New building gives space for creatives ✓✓	Income from employment/career development ✓	N/A	By helping young people to develop personally, particularly giving a first step to those not in education, employment or training, PAPER Arts increases the likelihood that its beneficiaries will have a more stable income in future.
<b>BRISTOL 24/7</b>	Knowledge and training ✓✓	Networks, voice and influence ✓✓	Communications infrastructure ✓	Income from employment ✓	N/A	Bristol 24/7 provides opportunities for diverse groups, including marginalised ones, to have a voice through its publishing platform, also contributing to a more positive and inclusive media representation. At the same time it enables underrepresented groups to access work experience and potentially careers in media.
<b>BEARPIT</b>	Increased personal security, training ✓✓	Strengthen network of those who use space ✓	Spatial improvements as businesses move in and expand ✓	Jobs created for local people ✓✓	Creating a safer and more attractive destination ✓✓	Poverty for Bearpit is place- and people-based. They are changing a space used by drinkers and drug users, and experiencing antisocial behaviour, into a welcoming place. They also equip people from disadvantaged backgrounds with skills and experience to progress in work.
<b>CHANDOS HOUSE</b>	Treating addiction, improving mental and physical health ✓✓	Highly supportive network, after-care, for vulnerable people ✓✓	New treatment rooms and improved facilities ✓	Possible return to work ✓	N/A	Chandos House tackles the detrimental effects of drug and alcohol addiction by taking service users from chaos to recovery in a supportive community setting. Whilst some people pay for its services, Chandos House is committed to helping those who cannot afford to pay. It prioritises service users who have experienced additional trauma beyond – and often contributing to – the effects of addiction.

Two ticks indicates a primary area of intended influence and a single tick indicates a secondary one. Ticks do not imply how well they are achieving these areas at present, which will be the subject of ongoing impact monitoring by the Fund in future reports.

Further information about the Sustainable Livelihoods Approach can be found in the appendix.

<sup>3</sup> In international development, this is usually termed natural capital, and covers areas such as access to land, forests, water, grazing, fishing, wild products and biodiversity. In the UK, this has sometimes been replaced with public, to denote public services facilities and amenities, as well as people's use of them. We have opted for environmental.



## Conclusions and actions

There is much to celebrate in the first year of the Resonance Bristol SITR Fund:

- Initial investment has been raised and the first investments into five social enterprises have been made;
- These enterprises show alignment of both social impact and financial return;
- Enterprises and investors speak very positively about the Fund and the professionalism of the Resonance investment team;
- The Fund has built relationships across Bristol and beyond and influenced how people see social impact investment, providing inspiration for more social enterprises to grow their impact through investment;
- Investee enterprises have increased their impact or are making steps towards doing so, with evidence that this has been increased by the Fund's investments.

The Fund has made a strong start. As ever, there is also room for improvement and opportunities to seize.

## Action

**Continue to refine the application process for investees**, including selective use of the Reach Fund to break down specific barriers to investment, especially where enterprises have less initial capacity. Resonance will continue to look for ways in which the speed of the process could be adjusted to help spread the load, while retaining a high level of rigour.

**Actively look for place-based and network effects** and synergies between the growing portfolio of enterprises, while scouting for potential enterprises and as part of the Investment Committee decision-making process.

**Embed the Sustainable Livelihoods Approach to understanding poverty into the Fund's decision making and monitoring processes.** This entails asking further questions as part of both due diligence and impact measurement such as:

- *Does the enterprise serve people in more deprived areas* (potentially measured using the Index of Multiple Deprivations)? E.g. SBSC runs summer camps where they bring in children from the most deprived parts of Bristol, running buses and giving them food to ensure they can participate.
- *Does the enterprise engage with vulnerable and/or marginalised individuals?* Does this enterprise increase their long-term resilience? E.g. Bearpit works in a difficult and sometimes confrontational environment with people on the edges of society.
- *Does the enterprise address deep-rooted causes of poverty*, not just the symptoms? E.g. Chandos House works at a deep level with individuals who have suffered trauma.

## Rationale

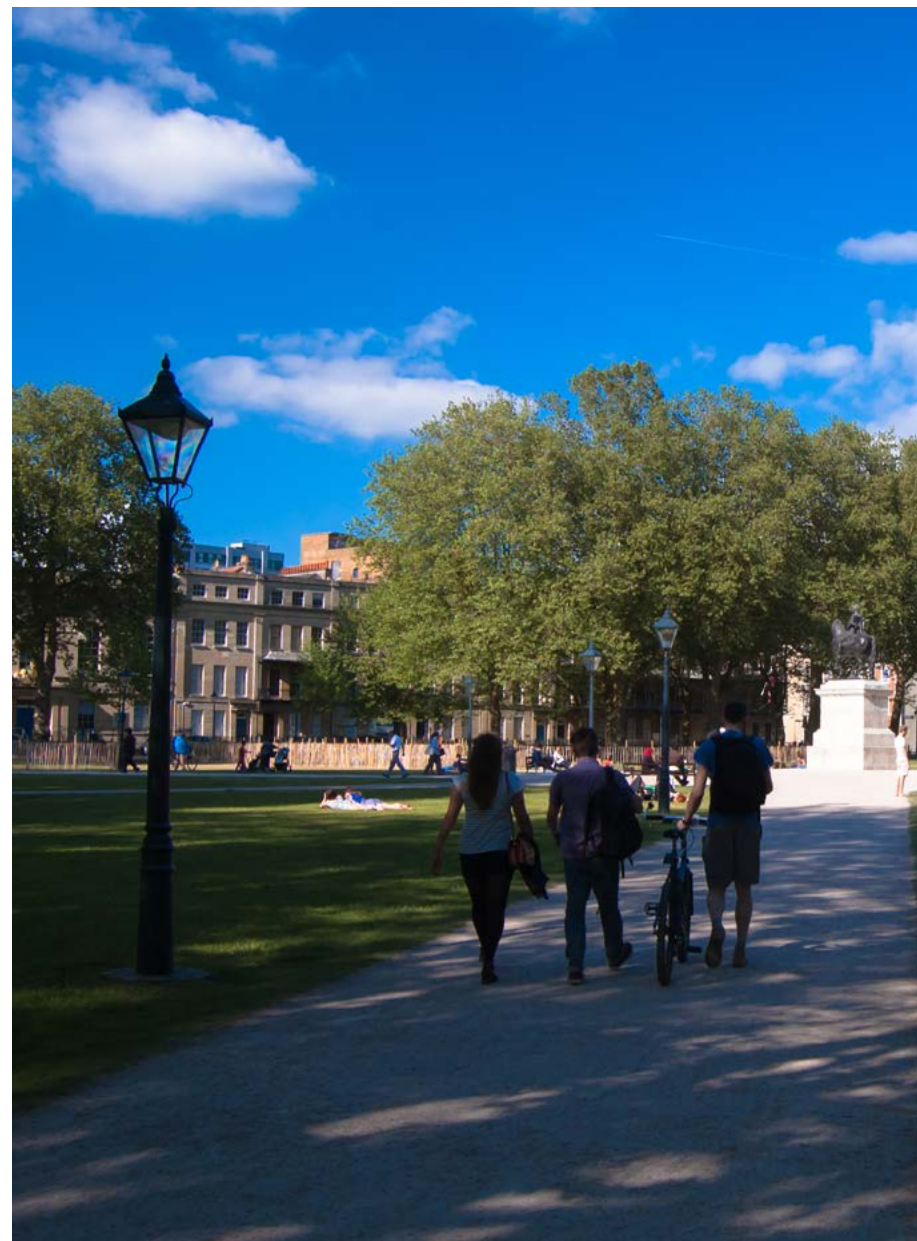
Enterprises value the rigorous application process and support provided during this. However, making sure this is as flexible as possible in light of the ongoing need to operate their businesses during the process must remain a key focus.

There are emerging positive “place-based” and network effects, which should be studied, sustained and strengthened. The Fund’s team being physically present in the city and being at the heart of the city’s networks appears to be a good long-term strategy.

The Fund can be further strengthened as it grows by designing for cohort effects: synergies between enterprises could be taken into account during the decision-making process. Whilst this would not and should not be a primary factor in the decision, it could help the Fund increase its impact and that of the enterprises it supports.

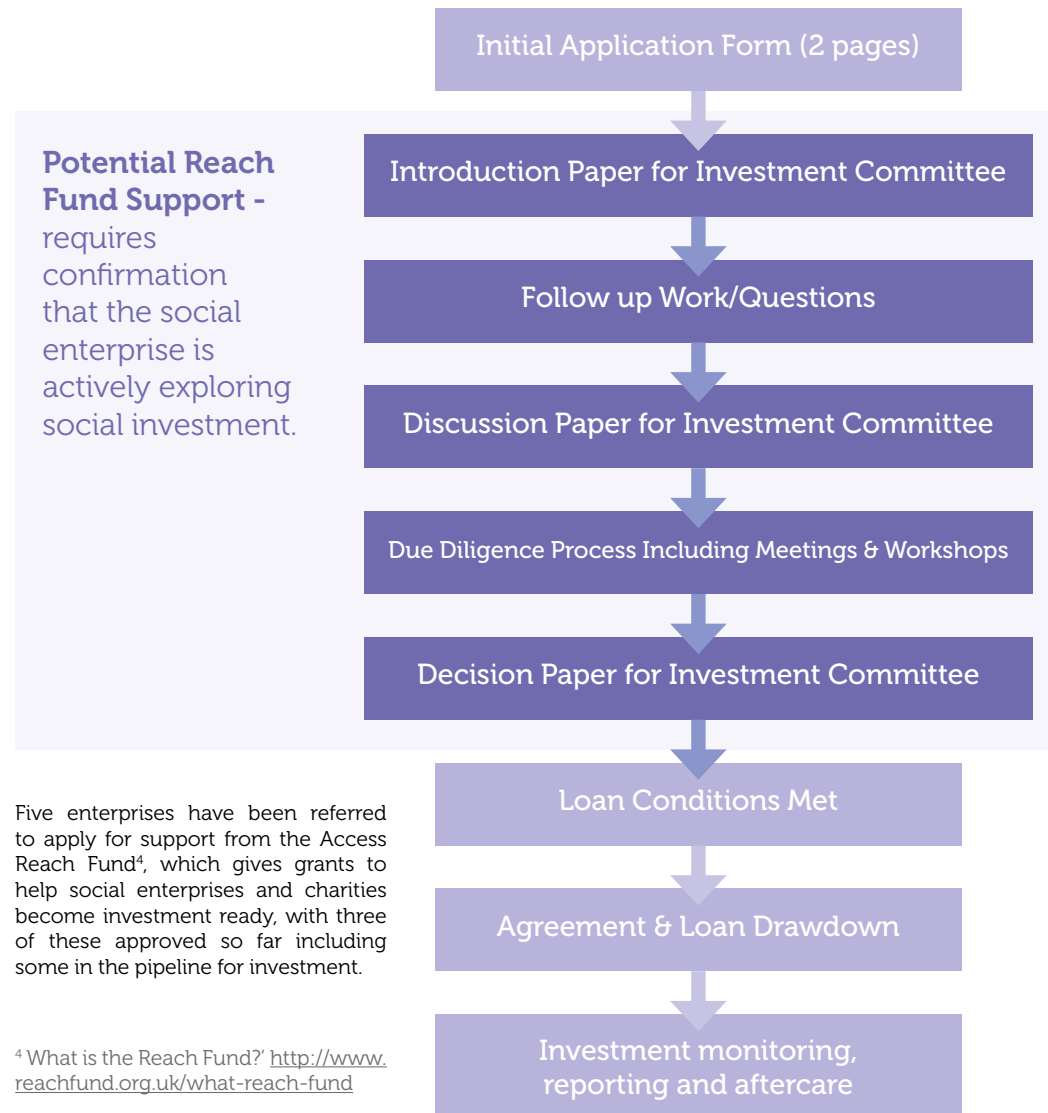
As it grows, the Fund can address the issue of poverty more explicitly. While the Fund is already designed to align and enhance financial and social criteria, dismantling poverty can be a more explicit part of the criteria used at the application stage.

The Sustainable Livelihoods Approach is a robust and recognised tool that can increase confidence that interventions can be understood in the light of poverty as a specific lens of impact. Based on the Fund’s own intentions, it would be surprising to see enterprises that do not contribute to this in some measure – as indeed all of the current enterprises have the potential to do. This will further ensure that the portfolio is well-balanced and directed to produce the systemic change which the Fund is seeking.



# Appendices

## Application Process for Enterprises



## Further explanation of SITR

### Income Tax Relief

Investors can claim back 30% of the amount invested into a qualifying social enterprise against their income tax bill, either in the year the investment is made, or carried back against the previous year.

### Capital Gains Tax (CGT) Deferral

Investors can currently defer CGT from the sale of any other assets disposed of, by investing the amount of the chargeable gain into SITR-qualifying social enterprises. Gains that occurred up to three years before, or one year after, the date of the SITR investment can be deferred.

### Interest Income

As SITR is available on loan notes issued by social enterprises, where investments are structured as loan notes, this means that investors can begin to receive interest payments immediately, although this income element remains taxable in the normal way.

### Capital Repayment

Since the SITR fund will predominantly invest in loan notes issued by social enterprises, in these cases investors also have the advantage of a clear capital repayment plan, with loan note capital repayments being permitted after the initial three years.



## Use of the Transformational Index

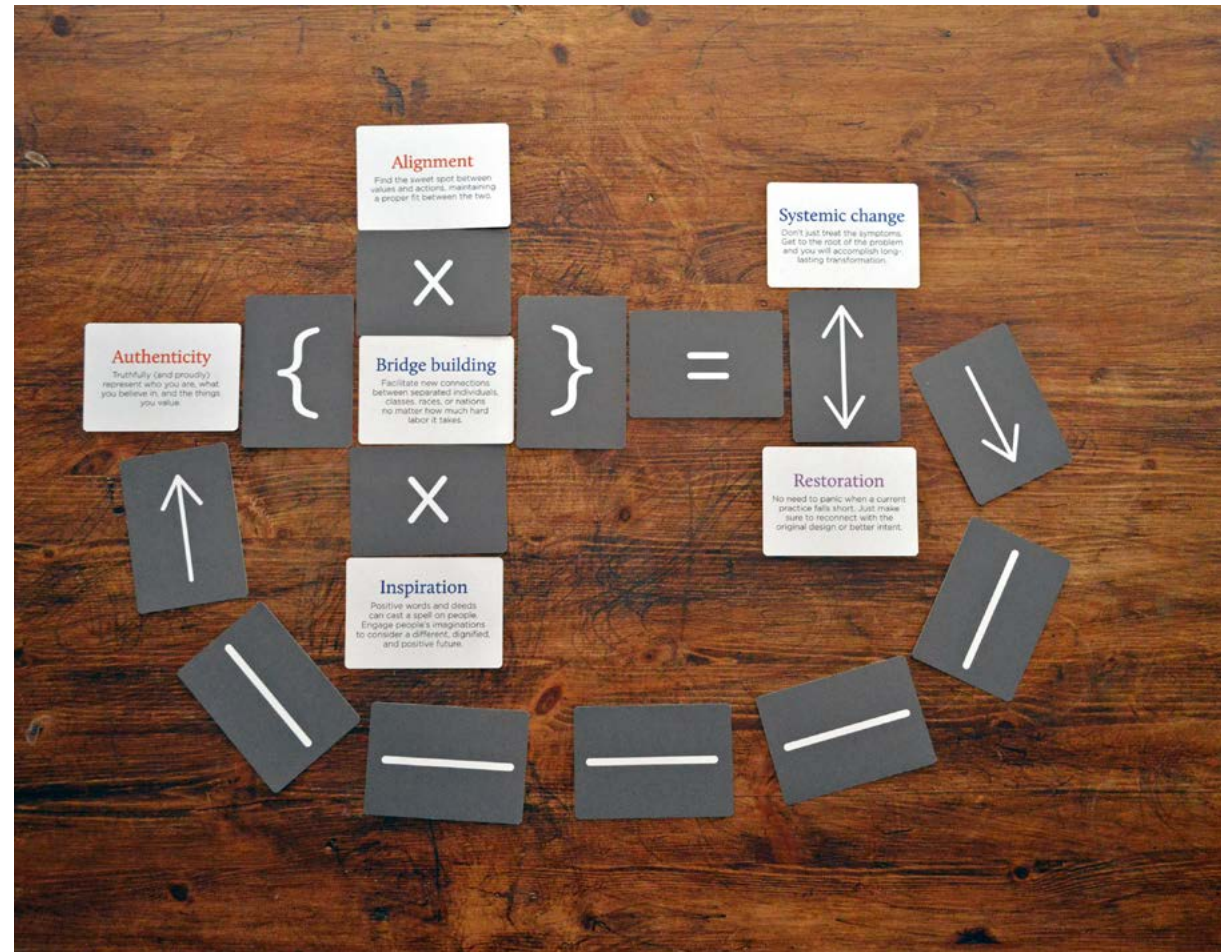
This report builds on Resonance's work with the Transformational Index, a tool to understand and measure an organisation's social impact, as a basis for learning and improvement. The Transformational Index helps an organisation articulate the specific nature of its impact and develop a corresponding framework for impact measurement. It recognises that social change is complex and contextual, responding to the multi-faceted and multi-layered challenges that social purpose organisations face, reflecting the realities of the people they serve.

Resonance has worked with the Transformational Index, and the team behind it, for many years. This report uses this approach, and new related impact analysis tools, to assess the impact of the social enterprises into which the Fund invests. It also applies this approach to the design of the Fund itself, to ensure there is a clear and shared conception of the impact model at the heart of the overall initiative.

The Resonance Bristol SITR Fund chose the following indicators during the workshop and these were used as the basis for its social impact framework and subsequently this report:

1. Commitment to dismantling poverty in Bristol (**authenticity**)
2. Social return and financial return are **aligned**
3. **Build bridges** between investors and social enterprises that support the flow of capital
4. **Inspire** others
5. Individual social enterprises do more to **restore** people in need in Bristol
6. The Fund helps dismantle poverty in Bristol at a **systemic** level

These are combined in the following model of transformation:



This was summarised for the purposes of research and reporting into these four areas:

1. The financial and human connections that the Fund has established – reflected in the TI indicator of bridge building. In some regards, this is the main activity of the fund.
2. The shared experience/perception of ventures, investors and Resonance that collectively describe whether they see the Fund as true to its intentions (behaving with authenticity and alignment, and in what ways it is inspiring). For this report, we used interviews to collect this information.
3. The impact of the different enterprises invested in, in terms of their own outcomes. This falls under the indicator of restoration. What are the broken situations or individuals who have experienced improvements? How has the fund added to these impacts?
4. What is the Fund's contribution to dismantling poverty in Bristol, its fundamental aim? This is the systemic change that the Fund seeks. Taken as a whole, is there evidence that it is making a difference?

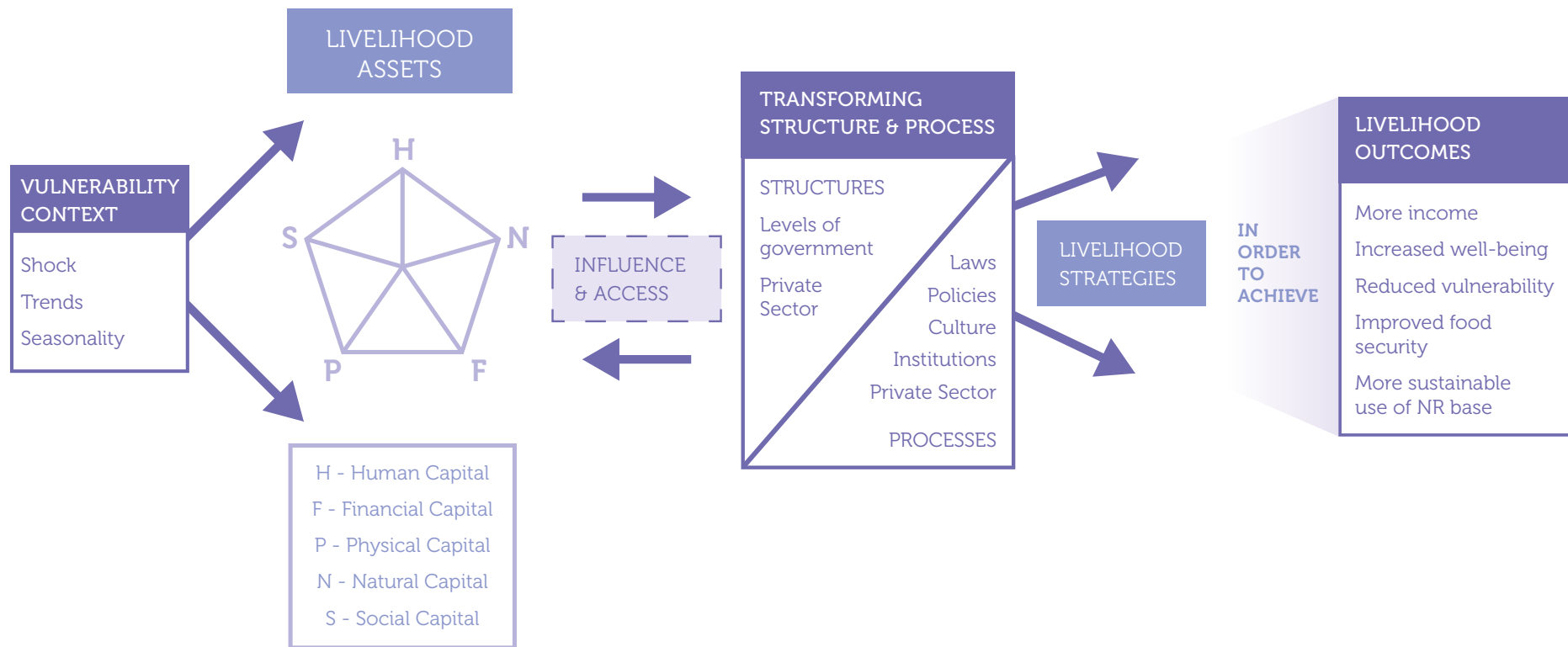
These are the basis for the diagram and structure used in the social impact report.

Next year, in expectation of more enterprises receiving investments, the plan is to design and conduct a survey to gather feedback from more enterprises and investors. A small selection of new and older enterprises will also be interviewed in more detail. Greater emphasis will be placed on what the enterprises have been able to do due to the investment and on signs of systemic change, given that more time will have passed and, in some cases, impact measurement frameworks for individual enterprises will have been strengthened.

## Sustainable Livelihoods Approach

The whole of the Sustainable Livelihoods Approach is mapped out opposite. It takes account of influences on people's assets, both in the form of vulnerability to change and in broader structures and processes. The interactions of these inform intervention, livelihood strategies that can achieve meaningful outcomes reducing poverty and increasing people's resilience to it. The Sustainable Livelihoods Approach has a track record of being used in international development and has also been used in the UK.

This report primarily uses the lens of livelihood assets and improvements to them rather than the entire SLA framework shown below. Other parts may be adopted in future depending on how useful they would be in describing the intended and actual impact of the Fund.



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All references correct as of end of May 2017.

If you have any questions about this report, or if you are a social investor or social enterprise interested in the Fund, please contact Resonance using the contact details below:

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