

# Enterprising communities:

Wealth  
beyond  
welfare

A 2003 update  
on the Social  
Investment  
Task Force

**cdfa**  
Conference  
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# foreword

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## **It is a relatively short time since the Social Investment Task Force (SITF) published its Report, but already much has been achieved under four of the five recommendations.**

The introduction of the Community Investment Tax Relief (CITR), as proposed in Recommendation 1, has already had a positive impact on Community Development Finance Institutions (CDFIs) which should soon result in finance flowing to under-invested communities. It is hoped that this will continue and develop as more investors, both individuals and large corporations become involved. Disseminating information about the CITR and its benefits will be vital for its success. The Community Development Finance Association (cdfa) investors' guide – *Community Investment Tax Relief* – is a user-friendly document for potential investors and is available on its website. Those with a commitment to CDFIs are asked to promote this publication wherever possible.

The establishment of Bridges Community Ventures Limited, as the UK's first community development venture capital company, marks a watershed in the accessing of finance for entrepreneurs in under-invested communities. Recommendation 2, which proposed such a fund, hoped that this advance would be the start of a thriving community development venture capital sector across the UK. With the Chancellor's commitment to providing support for a second fund, and interest in growth being shown by smaller Community Development Venture Funds (CDV Funds), it seems that the second recommendation is on the way to achieving its vision.

While some work has been carried out under Recommendation 3, disclosure by banks, there is still a lot more work to do. The two aspects of disclosure, accountability and application, have been recognised and both need to be developed, so that a true picture of bank

activity in under-invested communities can emerge. The Barclays Bank and New Economics Foundation's report *The Power of Information*, published later this year, will prove a useful tool in outlining a framework for disclosure. The Task Force is now calling on the banking industry to test this framework and commit to annual, individual reporting.

The greater latitude and encouragement for charitable trusts and foundations to invest in community development initiatives, as proposed in Recommendation 4, has made significant progress both in the policy arena and in implementation. Some large operational charities are reviewing their investment options and have started investing in CDFIs. Some charitable trusts have already embarked on programme related investment. Other initiatives, such as the publication of *The Magic Roundabout*, the Futurebuilders Fund and the Adventure Capital Fund are further indicators of the real progress that has been made.

The establishment of the cdfa has been the key achievement under Recommendation 5. Its steady increase in membership indicates the level of commitment that the new and emerging CDFI sector has to a trade association that can represent it, set standards, provide quality services and help accelerate the growth of the sector. The cdfa's first operational year has been a great success and it is proving itself to be an invaluable source of support for CDFIs as they become a thriving force for social change.

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**Sir Ronald Cohen**



# introduction

The Social Investment Task Force has enjoyed considerable success in seeing its recommendations to Government implemented. This success is due not only to the succinct Report to Government with its relatively small number of practical recommendations, but also because of Government buy-in at a high level, the continued effort of the Task Force members after they had completed the Report and the building up of informal partnerships to see through the implementation of the recommendations.

The Task Force reported to the Chancellor in October 2000. This followed nine months of intensive work on the part of the Task Force members, HM Treasury, the partners who set up the Task Force and many others who gave evidence both in the UK and USA. The Report was very well received by Government and by the key organisations in the social investment and community development finance sectors.

The Task Force members' involvement did not end with the publication of the Report. They decided to carry on meeting afterwards in order to monitor the recommendations and to support their implementation. This has proved to be an effective strategy as four of the five recommendations have been followed through and are now starting to increase investment into under-invested communities.

This Report seeks to highlight the progress that has been made since the Task Force published its recommendations in October 2000 and to outline how the Government has worked in partnership with Task Force members and key organisations in the community development finance, charity and private sectors.

## **April 2000 >**

Appointment of Social Investment Task Force

Social Investment Task Force report published

## **October 2000 >**

## **November 2000/ Pre-Budget announcement >**

Social Investment Task Force Report accepted in principle by the Chancellor. Consultation on Community Investment Tax Relief announced

## **May 2001 >**

Charity Commission guidance on Social Investment issued

Community Investment Tax Relief and Community Development Venture Fund confirmed

## **November 2001/ Pre-Budget announcement >**

The original remit of the Social Investment Task Force was:

‘To set out how entrepreneurial practices can be applied to obtain higher social and financial returns from social investment, to harness new talents and skills to address economic regeneration and to unleash new sources of private and institutional investment. In addition, the Task Force should explore innovative roles that the voluntary sector, businesses and Government could play as partners in this area.’

The Task Force was initiated at the request of the UK Social Investment Forum in partnership with the New Economics Foundation and the Development Trusts Association, all of which have continued to work with it. The UK Social Investment Forum’s role has been taken over by the Community Development Finance Association (cdfa), which is the new trade association established on the recommendation of the Task Force.

The members of the Social Investment Task Force were:

**Sir Ronald Cohen**

Chairman, Apax Partners Holdings (Chair)

**David Carrington**

formerly Chief Executive, PPP Healthcare Medical Trust

**Ian Hargreaves**

Journalist and academic

**Philip Hulme**

Chairman, Computacenter

**Geraldine Peacock CBE**

Chief Executive, Guide Dogs for the Blind

**Joan Shapiro**

formerly Executive Vice President, South Shore Bank, Chicago

**Tom Singh**

Managing Director, New Look

HM Treasury had observer status on the Task Force and has continued to participate in Task Force meetings as well as supporting the implementation of its recommendations along with the Department of Trade and Industry’s (DTI) Small Business Service.

**In its Report the Task Force made the following recommendations:**

- 1 To introduce a community investment tax relief.**
- 2 To set up Community Development Venture Funds.**
- 3 Disclosure by banks of their lending in under-invested communities.**
- 4 Greater latitude and encouragement for charitable trusts and foundations to invest in community development.**
- 5 Support for Community Development Finance Institutions (CDFIs).**

The progress made with each of these recommendations is reported on in more detail in the following pages.

**May 2002 >**

Announcement of launch of Bridges Community Development Venture Fund

**January 2003 >**

Announcement of launch of accreditation process for Community Investment Tax Relief

Establishment of the Community Development Finance Association

**April 2002 >**

Community Investment Tax Relief legislation enacted in Finance Act 2002

**July 2002 >**

# recommendation

## **“A Community Investment Tax Credit (CITC) to encourage private investment in under-invested communities, via Community Development Finance Institutions (CDFIs) which can invest in both not-for-profit and profit-seeking enterprises.”**



Government accepted the Social Investment Task Force's (SITF) recommendation and, following an extensive consultation and development process, it has now been implemented successfully.

Working from the concept originally set out by the SITF and with the enthusiastic support of their respective Ministers, officials of the Inland Revenue, the Small Business Service and HM Treasury undertook the detailed design of the Community Investment Tax Relief (CITR) to the stage where it became fully operational in March 2003.

A three-tier model has been established, with a tax relief of 5% per annum for five years available to investors providing funds to accredited CDFIs that then on-lend to qualifying enterprises and community projects among under-invested communities.

At the heart of the operational model for CITR is the accredited CDFI. The concept of accreditation was developed to ensure that all participating CDFIs meet a consistent standard in their overall operational approach. The power to accredit rests with the Secretary of State for Trade and Industry, advised by the Community Finance Sub-Group of the Small Business Investment Taskforce (SBIT) that in turn is informed by detailed evaluation of applications by officials.

Accreditation lasts for three years, after which further accreditation must be sought if a CDFI wishes to continue to provide the tax relief to their investors. Accredited CDFIs must also submit an annual report detailing the funds raised and their deployment. In the first round, in March 2003, 11 CDFIs were accredited and are now working towards raising a total of £36m for on-lending over the next three years.

The most significant change in structure from that recommended by the SITF is that the operational model adopted is demand-led, with CDFIs seeking accreditation stating their intention of raising a defined amount, rather than there being a fixed quota of tax credits for which CDFIs compete. The structure adopted also recognises the distinction between “retail” and “wholesale” CDFIs - the former lend primarily to individual enterprises while the latter lend primarily to other CDFIs.

Consultation with the CDFI and banking sector ensured that the practical details of CITR are workable for both CDFIs and investors. Although the relief is only available on those investments that remain in place for at least five years, some profiling of both draw down and repayment is permitted. In order to ensure that the funds provided to accredited CDFIs reach the target businesses and community projects, those CDFIs must achieve certain levels of deployment of the tax-advantaged funds raised each year.

The manner in which the tax-advantaged funds raised are ultimately deployed by accredited CDFIs is for them to determine, provided that it is done within an overall framework concerning the nature of the disadvantage being served, the enterprises receiving support and the forms in which finance is provided to those enterprises, as set out in the legislation and supporting regulations.

For more details see [www.sbs.gov.uk/finance/citr.php](http://www.sbs.gov.uk/finance/citr.php)

Expertise in applying for accreditation, attracting and managing investment is growing in the CDFI sector. Two guides are available from the cdfa. An investors' guide provides investors with an understanding of the Community Investment Tax Relief and how it can benefit both investors and deprived communities. The CDFI guide helps CDFIs to understand the CITR legislation, prepare for accreditation and meet the ongoing reporting and other obligations associated with implementation.

For more details see [www.cdfa.org.uk](http://www.cdfa.org.uk)

### **Plans for the medium- and long-term**

The accreditation of CDFIs will continue, with applications considered on a quarterly basis in response to demand. Progress will be reviewed annually, with measurement and discussion of variables such as the number of CDFIs accredited, the value of investment they have attracted and the impact of that investment through on-lending. An annual report will be made to Ministers, the European Commission, the SBIT, the CDFI sector and other interested parties.

Further development of CITR is envisaged in the future, primarily to clarify the position with respect to 'live-work' property and to explore the possibility of enabling accredited CDFIs to make equity investments as well as loans in for-profit businesses.

Implementation of CITR has been a joint effort of officials of the Inland Revenue, the DTI's Small Business Service and HM Treasury.

### **Key dates**

April-June 2001 – Consultation

July 2001 – Government announcement of CITR

July 2002 – Relevant legislation enacted within Finance Act 2002

October 2002 – European Commission state aids clearance received

January 2003 – Regulations and application material finalised and applications for accreditation invited

March 2003 – First list of accredited CDFIs announced

**Mark Hamblly** leads the Community Finance Team within the Investment & SME Finance Directorate of the Small Business Service (SBS). The Community Finance Team leads on the Government's SBS's relations with and support for the Community Development Finance sector, including relations with the cdfa, Phoenix Fund support for CDFIs and administration of the accreditation process for CDFIs under the Community Investment Tax Relief (CITR).

**Louise Willington** is Policy Adviser for Enterprises for All within the Enterprise Team at HM Treasury. The policy area covers enterprise in deprived areas and under-represented groups, enterprise culture, and enterprise in education.

**“Community Development Venture Funds (CDV Funds) – a matched funding partnership between Government on the one hand and the venture capital industry, entrepreneurs, institutional investors and banks on the other. The Social Investment Task Force recommends that the successful principles of venture capital, namely long term equity investment, business support to the entrepreneur and rapid growth of the company backed, should be applied to community investment through the creation of CDV Funds. In the last 20 years, venture capital has made a major contribution to the growth of wealth and employment in the UK.”**

In making this second recommendation, the Task Force was inspired by the impact the venture capital sector has made on the UK economy over the past thirty years through financing dynamic, growing businesses that have generated entrepreneurial confidence and employment opportunities. It was also impressed by the growth of a community development venture capital sector in the US, where there are now over 70 funds managing over \$525 million.

CDV Funds aim to use the tools of venture capital - equity investment and hands-on support to companies - to grow businesses that create jobs, entrepreneurial capacity and wealth to advance the livelihoods of low-income people and stimulate the economies of under-invested communities.

As a result of this recommendation, there is now an emerging community development venture capital sector in the UK. The UK's first dedicated community development venture capital company, Bridges Community Ventures, is now up and running and making investments in the most deprived parts of England. In addition, in his Budget speech in April 2003, the Chancellor announced his intention to provide support for a second CDV Fund.

In September 2002, Bridges Community Ventures raised £40 million, £20m from the private sector and £20m in the form of matched investment from the Government. A portion of the Government's matching investment was subordinated, in that it takes the first risk and has a capped return. The availability of this type of matching investment was crucial to attracting private sector investment to a new field, where returns are as yet unproven.

2

**recommendation**



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Bridges Community Ventures' founders, Sir Ronald Cohen of Apax Partners, Tom Singh of New Look and 3i, invested in the funds as did a range of established institutions including HSBC, Lloyds TSB Scotland, West Midlands Pension Fund, Doughty Hanson, Lehman Brothers, Reuters, Schroder Salomon Smith Barney, South Yorkshire Pensions Authority and The Royal Bank of Scotland Group Pension Fund.

In addition to institutional investors, Bridges Community Ventures set up an Entrepreneurs Club, comprising 22 successful entrepreneurs and business people across England who have invested in the funds and committed to provide guidance, support and experience to the companies in which it invests.

Bridges Community Ventures' mission is to show that thriving businesses can be created and developed in deprived communities. It exists to:

- **invest in entrepreneurial businesses with high growth potential in the most under-invested areas in England**
- **provide hands-on support to help these businesses grow**
- **make a financial return on investment that will attract private sector investors into future funds of this type**
- **make a difference in their communities by creating jobs, stimulating economic dynamism and fostering entrepreneurs who can become role models for business success**

Bridges Community Ventures invests in growth companies at the early and expansion stages, as well as management buy-outs and buy-ins. It buys shares in the companies, then seeks to work with their managements to achieve the companies' growth potential and identify exit routes. Bridges Community Ventures invests from £150,000 to £2 million in any one company and only invests in companies that are located in and with strong economic links to the most deprived quartile of wards in England, as defined by the Index of Multiple Deprivation of the DTLR.

Bridges Community Ventures made its first investment in October 2002. The first companies to win an investment from Bridges Community Ventures were TrusttheDJ, a DJ talent agency, in which the company invested £800,000 and Simply Energy, a start-up aiming to provide a price comparison service for energy consumers, which was the company's smallest investment to-date at £125,000.

Bridges Community Ventures intends to make 6-12 investments per year for the next 3-4 years until the first fund is fully invested and then to raise a second fund.

The Task Force intended that the first CDV Funds would inspire the growth of a significant community development venture capital sector across the UK. This in turn would bring substantial flows of investment into some of the most deprived communities in the UK. Creation of a new sector is a long-term process. However, the early signs are good. Smaller, more local CDV Funds are currently applying for Phoenix Fund and Regional Development Agency support. In addition, the Community Development Finance Association (cdfa) is putting together the first formal training for CDV Funds, to be offered for the first time at its Conference in July 2003. These developments, along with the success of Bridges Community Ventures in raising substantial private sector investment and making its first investment, and the announcement by the Chancellor of the Government's intention to provide matching funds to a second fund indicate that the emergence of a thriving sector is underway.

#### **Key dates**

March 2001 – Chancellor announces matching funds of up to £20 million for the first Community Development Venture Fund

April 2001 – Roundtable consultations on how to design a Community Development Venture Fund

May 2002 – Launch of Bridges Community Ventures Ltd

September 2002 – Bridges Community Ventures raises its full £40 million

April 2003 – Chancellor announces in the Budget his intention to support a second CDV Fund

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**Michele Giddens** is an Executive Director of Bridges Community Ventures and Vice Chair of the Community Development Finance Association (cdfa). She has ten years of international development and community finance experience ranging from large equity and debt investments to microfinance and small business lending. Prior to Bridges Community Ventures, she was at Shorebank Advisory Services and the International Finance Corporation.

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# recommendation

**“Disclosure by banks – banks play an essential role in under-invested communities, where they are a major source of private investment. However, in the UK there is a serious shortage of information about the level of activity of individual banks... More detailed information about the lending pattern of individual banks, as is available in the US, makes it possible to compare good and bad practice and encourage a cumulative ‘improvement in performance’... There is a need to request more detailed individual disclosure by banks of their lending activities in under invested areas, and to sponsor the creation of a rating system to reward excellent performance. If voluntary disclosure is not made quickly, the Social Investment Task Force (SITF) believes that Government should require disclosure, in the manner of the 1977 US Community Reinvestment Act.”**

# 3

Recommendation 3 outlined what can be seen as an *accountability* framework. Such a framework does not itself force action but is intended to prompt action by encouraging banks to find ways of reaching under-invested areas. Since the Social Investment Task Force Report was published in 2000 a second use of disclosure has emerged. It focuses on the potential use of the information that is disclosed. There has been progress albeit small, against both these strands.

#### **Finance for Small Business in Deprived Communities (Bank of England November 2000)**

The Bank of England had already been working on *Finance for Small Business in Deprived Communities* when the SITF reported in 2000. The Bank's report included qualitative information on the activities of Community Development Finance Institutions (CDFIs), bank support for CDFIs and an analysis of the market. It included some data on levels of deposits and lending in the UK's 88 most under-invested wards, but it did not disaggregate data by individual bank.

#### **Finance for Small Firms (Bank of England)**

Since 2001 the Bank has included sections on finance for small business in deprived communities in its annual *Finance for Small Firms* reports. The most recent *Finance for Small Firms* report was published in April 2003. It included updates on lending levels and costs of lending for customers in the 88 wards. The majority of the report focused on increasing market information. The analysis focuses on strategies for improving the investment readiness of businesses in these areas.

### **Promoting Financial Inclusion (British Bankers Association September 2002)**

The Bank of England's reason for departing from explicit data analysis was driven by the increasing role of the British Bankers Association (BBA) in co-ordinating bank data. Following the publication of the SITF Report the BBA undertook to co-ordinate a response and published its findings in *Promoting Financial Inclusion*. The report offers an account of the totality of the banking industry's efforts in the field of financial inclusion. *Promoting Financial Inclusion* gives a broad perspective and covers personal finance and financial literacy as well as enterprise finance. While the report does include tables with number of accounts, deposits start ups and lending levels in specific postcode areas for the first time; there was no individual bank information or analysis of the data.

### **Individual bank disclosure**

The only bank with a large enterprise finance portfolio to produce its own disaggregated data is Barclays Bank. The Co-operative Bank have also disclosed information on their activities and Unity Trust Bank was the first UK bank to disclose information. Barclays has been disclosing data for the last three years (2000-2002). They have provided information on business deposits, lending, numbers of businesses and start-ups and their survival across the whole of its portfolio and in under-invested communities. They also include information on personal finance including the number of basic bank accounts opened.

In addition, Barclays has been working with the New Economics Foundation looking at the potential use of information (the application approach) held by the bank at a local level. The project investigated how disclosure can help national, regional and local stakeholders understand the characteristics, needs and potential of enterprises. It has shown how disclosure can support commercial activities in poorer areas. The report – *The Power of Information* – will be launched later this year. Perhaps most significantly in the light of the SITF's recommendations, the report suggests an explicit, voluntary reporting framework with three potential tests covering three key areas – information, action and investment.

While some progress has been made against the SITF's recommendation, it remains the recommendation that has seen least action leading to improved levels of investment and access to finance in under-invested communities. No developments have been made which rival the enormous impact of Community Reinvestment Act (CRA) in the US - which is credited with causing an additional \$1 billion to flow into some of the US's poorest communities.

Concerted action and commitment from across the industry is required in order to boost bank engagement. The SITF is now calling on the banking industry to commit to the test framework and to report against it.

### **Key dates**

November 2000 – *Finance for Small Business in Deprived Communities* published by the Bank of England with details of deposit and lending levels in under-invested communities.

September 2002 – *Promoting Financial Inclusion* published by the British Bankers Association offering an account of the totality of the banking industry's efforts in the field of financial inclusion

June 2003 – *The Power of Information* published by the New Economics Foundation including a proposed voluntary reporting framework with three key tests.

**Sarah McGeehan** is Information Director at the cdfa, the UK's trade association for CDFIs. Formerly at the New Economics Foundation, Sarah led the work on the Barclays/NEF programme *The Power of Information*.

## **“Greater latitude and encouragement for charitable trusts and foundations to invest in community development initiatives.”**

This recommendation in the Social Investment Task Force Report highlighted that traditionally it had been “charitable” to help people who are poor. What the Report aimed to do was to change the rules and mindsets of charitable Trusts and Foundations so that they helped people out of poverty through enterprise, encouraging self-sufficiency rather than dependency - a real culture change.

The Report spelt out that support for community development finance is a significant way in which grant-making charitable foundations and major charities can advance their charitable objects, and suggested three specific ways in which this could be progressed;

### **Charities, Foundations and Trusts could:**

- **Make programme-related investments via Community Development Finance Institutions (CDFIs).**
- **Offer grants and loan guarantees to CDFIs to enable them to build their organisational capacity and to meet running costs until they achieve sustainability.**
- **Invest in Community Development Venture Funds.**

The Charity Commission was keen to encourage this initiative and simultaneously with the publication of the Report announced a new programme of guidance on how charities can help in the strengthening of the poorest communities. The Chief Charity Commissioner John Stoker said: “Charities are already active and playing a key part in many communities, in many different ways. I want to help and encourage charities further in this important work.”

In May 2001 the Commission issued new Guidance on Social Investment for charities (which they updated and expanded in November 2002)<sup>1</sup> which clearly stated that social investment was a legitimate way of achieving charitable goals. This was very helpful because so often the opposition to using charitable reserves/resources in anything other than traditional investment and grant making functions came because Trustees believed the Charity Commission would not allow it. The new guidance put an end to this myth, stating clearly that (unless prohibited by its governing document) any charity that can give grants can make social investments if it offers a good means of advancing the charity’s objects.

<sup>1</sup> <http://www.charity-commission.gov.uk/supportingcharities/casi.asp>



# recommendation

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Since the publication of the Report, David Carrington and Geraldine Peacock, the two representatives from the charitable sector on the Task Force, have pioneered a number of initiatives to ignite new ways of working with social investment. David has focused on charitable Trusts and Foundations and Geraldine on the larger Charities. These and others efforts have resulted in a significant shift in charitable mindset and activity in this field. The following list gives a flavour of the growing appetite for social investment by charities and foundations:

- Large and small trusts and foundations are now making Programme Related/Social Investments, often through specialist intermediaries like the Charity Bank or Triodos or through local CDFIs like the Aston Reinvestment Trust.
- The Home Office has backed the Adventure Capital Fund, a patient capital scheme for social enterprises that attracted many more applications than the available funds could meet.
- The Treasury is establishing a £125m Futurebuilders Fund over 3 years which will build the voluntary sector's capacity to be involved in public service provision, and will include a significant loan element.
- Charity Bank – the first bank to be registered both as a charity and with the Financial Service Authority (FSA) – has opened its doors attracting substantial investments from Trusts and Foundations. Now charities too are beginning to use it as a way of “investing” their reserves for use by their beneficiaries. National Council for Voluntary Organisations (NCVO) themselves are investing some money in Charity Bank.
- The Venturesome Fund has been established by the Charities Aid Foundation to provide venture type funding within the voluntary sector.
- The growth of CDFIs and their Association is encouraging larger charities to look at how they can work better together by combining resources using a CDFI as an intermediary – thus making their money go further and extending their service reach.
- *The Magic Roundabout*, a publication, written by charities for charities on all aspects of social and programme-related investment was published in May 2003 – financed by the corporate sector. It was launched at Downing Street by the Financial Secretary to the Treasury, the Rt Hon Paul Boateng, MP, with a foreword by the Chancellor, and an Introduction by the Chief Charity Commissioner.

There have been a number of conferences and seminars to raise awareness, hosted by umbrella bodies such as the NCVO and the Association of Charitable Foundations (ACF). Some of these have been sponsored by banks, law or accountancy firms - transcending traditional barriers.

The long-term aim of the Social Investment Task Force is to achieve “a move away from the culture of philanthropy, paternalism and dependence towards one of empowerment, entrepreneurship and initiative.” This requires a huge change of mindset for the charitable sector, but changing it is!

#### **Key dates**

May 2001 – Charity Commission guidance on Social Investment issued

July 2002 – Spending Review identifies £125m Futurebuilders Fund

October 2002 – Charity Bank opens

November 2002 – Charity Commission Guidelines on Social Investment updated

December 2002 – Adventure Capital Fund launched by Home Office

May 2003 – Futurebuilders Consultation Document Published

May 2003 – *The Magic Roundabout* – a Guide to Programme Related Investment for Charities published

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**Geraldine Peacock** CBE is Chief Executive of Guide Dogs For the Blind and a Civil Service Commissioner. She is a member of Advisory Panels in the Home Office for the AUC, the Treasury for the Futurebuilders Fund and the Strategy Unit's Review of Charity Law. She is also a visiting lecturer in voluntary sector management at the City University. She is a member of the Social Investment Task Force.

**David Carrington** is an independent consultant who works with voluntary, statutory and private sector organisations on the funding and governance of the voluntary and charitable sectors and on their relationships with the public sector. He is also one of the two charity sector members of the Social Investment Task Force and a member of the Advisory Group to the Sustainable Funding Project.

# recommendation

## “Support for Community Development Finance Institutions.”

‘Compared to the US, the UK CDFI sector is relatively small but capable of dramatic development.’ By making this statement in the text that supported Recommendation 5, the Social Investment Task Force (SITF) acknowledged that Community Development Finance Institutions (CDFIs) are a vital tool for boosting enterprise and wealth creation. The statement also accepted that the CDFI sector was capable of growth and such growth could be accelerated by appropriate support. Learning from the way the CDFI sector developed in the USA, the SITF recognised that a strong trade association would be a critical factor in the expansion and advancement of CDFIs in the UK.

Early in 2001, in consultation with two other bodies which had recognised the need for a trade association, the Rebuilding Society Network and the National Federation of Enterprise Agencies, a steering committee of interested CDFIs was established. It had an independent chair – Andrew Robinson, from NatWest/Royal Bank of Scotland and chair of the UK Social Investment Forum (UKSIF). The committee drafted a consultation document which included proposed mission, goals and services of the proposed trade association. The document was circulated widely in June 2001. Feedback demonstrated that there was extensive support for the establishment of a trade association. The steering committee moved forward with developing a business plan and securing funding, which was then provided by the private sector and the DTI’s Small Business Service.

In the meantime, a number of other initiatives to support the sector were taking or had taken place. Prior to the Social Investment Task Force being established, there had been a call for the Small Business Service to develop ‘a national challenge fund to finance CDFIs’ (*Enterprise and Social Exclusion* report by Policy Action Team 3, 1999). The SBS subsequently announced the launch of the £90 million Phoenix Fund to encourage entrepreneurship in under-invested communities, which included a CDFI Challenge Fund as well as a Development Fund for innovative business support. Since then there have been two funding rounds of the Phoenix Challenge Fund resulting in £20 million of funding to 40 CDFIs. The 2002 Government Spending Review extended the Phoenix Fund to 2005/06 with £50 million extra funding; around half of which will go to CDFIs.

# 5

One of the first things the Phoenix Fund financed was the development of training for CDFIs. Six introductory modules were developed and piloted in 2001 by a partnership of practitioners led by the New Economics Foundation. The modules take trainees through from an introduction to community development finance and CDFI business planning, to how to set up, manage and evaluate a CDFI. This training has been a valuable resource in developing the human resources of the sector, in particular those newly coming to the sector or supporting it.

In 2000, before the Task Force Report was published, the Women's Employment, Enterprise and Training Unit (WEETU) organised the first community development finance conference. The success of this conference led to the call for an annual conference for the sector, and a group of CDFIs, supported by the UK Social Investment Forum, came together to organise a second conference in July 2001 in Birmingham.

The Task Force also saw an important role for wholesale intermediaries, lending money to CDFIs, that was reported under this recommendation. In 2002 a feasibility study was carried out on the possibility of a UK wide wholesaler, which concluded that, whilst the sector and some funders would welcome such an intermediary, the sector was not yet large enough to support a commercial wholesaler. Whilst no UK wide wholesaler has yet been established, Social Investment Scotland was launched in 2001 and provides a wholesale function for CDFIs in Scotland, and BIGinvest intends to launch as a UK wide fund in 2003.

All the strands were pulled together when the trade association, called the Community Development Finance Association (cdfa), was launched at HM Treasury on April 24th 2002 by the Rt Hon Paul Boateng MP, the Financial Secretary to the Treasury and Sir Ronald Cohen, the Chairman of Apax Partners Holdings and Chair of the Social Investment Task Force.

Since its launch, the cdfa has set about securing a base, establishing a board, recruiting staff as well as running services. It has taken over the management of the annual community development finance conference, which in 2002 was held in Glasgow. In 2003 the conference takes place in Cardiff on 2-3 July where this Report is being launched. The cdfa has also taken over the delivery of the training developed by the New Economics Foundation partnership.

It also manages other events, including regular member seminars, other occasional seminars, e.g. on the CITR, and one-off events including a one-day conference on small scale equity in January 2003. A temporary website was launched in 2002 and a permanent, comprehensive site replaced it in April 2003. The first edition of a regular newsletter has been disseminated electronically and two guides to the CITR have been published. One of these guides is for investors and the other for CDFIs (see Recommendation 1).

The cdfa has a tiered membership structure which admits as Charter Members those organisations which have financial services for under-invested communities as a primary focus. Ordinary members are those organisations that offer financial as well as other services. Supporters are those ineligible to be members but who would like to support the cdfa's work. At the end of May 2003, the cdfa had 15 Charter Members, 10 Members and 33 Supporters.

The future of the cdfa and the CDFI sector in the UK looks promising. Consistent long-term support from the private, charitable and government sectors is needed now. With this in place, the sector will grow and become part of the institutional fabric of our society.

#### **Key dates**

November 1999 – Phoenix Fund launched

January 2001 – Steering committee to form a trade association established

September 2001 – Consultation on a trade association completed

July 2001 – 2nd annual CDF conference in Birmingham

July 2001 – CDF training piloted

April 2002 – Launch of the cdfa

June 2002 – 3rd annual CDF conference in Glasgow

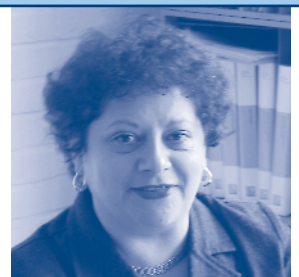
April 2003 – Launch of cdfa website

May 2003 – cdfa guide to CITR launched

2-3 July 2003 – 4th annual CDF conference in Cardiff

For more information see [www.cdfa.org.uk](http://www.cdfa.org.uk)

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The Community Development Finance Association (cdfa) is the trade association for the community development finance sector. It exists to support, grow and promote the UK's Community Development Finance Institutions (CDFIs). The cdfa has been set up to provide services such as seminars, training, conferences and networking events. It also represents the sector to government and other stakeholders, conducts research, provides information, publishes a regular newsletter and defines benchmarks for the industry. It has two categories of membership; Charter Members and Members, the criteria for each category is explained on the cdfa website. There is a third non-membership category, Supporter, which is for those who do not meet the membership criteria but wish to support the cdfa and the CDFI sector. For more information about the cdfa or to find out about becoming a member or Supporter, visit the website on [www.cdfa.org.uk](http://www.cdfa.org.uk) or e-mail [info@cdfa.org.uk](mailto:info@cdfa.org.uk).