Adebowale Commission Three Years On: A Report Card

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About

The Adebowale Commission on Social Investment and this follow-up report have been supported by Fusion 21, the national social enterprise.

This paper was written by Social Enterprise UK and reviewed by the Commissioners. 2021 and 2023 State of Social Enterprise survey data was provided by Social Enterprise UK's Knowledge Centre and supported by Access — the Foundation for Social Investment, Better Society Capital, Social Investment Business and Barclays.

Disclaimer: This report does not represent the individual views of each of the original commissioners who oversaw the Adebowale Commission; it is a synthesis put together by the Secretariat to the Commission, based on multiple interviews or discussions with and input from those commissioners and others. Any errors or weaknesses in the analysis should sit with the Secretariat, not with Commissioners. It should also be noted that much of this report is focused on England but with reference to the Welsh, Scottish and Northen Irish experience, as some issues considered are devolved and others are not.

We welcome ongoing dialogue with Better Society Capital and all social investors in our shared ambition to continue improving access to finance for social enterprise.

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Foreword from Joanne Anderson

When the Adebowale Commission on Social Investment was set up three years ago, I followed its progress with considerable interest. I was encouraged to see the response to its work. There was much support for its recommendations, and little pushback or criticism. Social enterprises and investors alike seemed to agree: we needed a change of course. So what progress has been made? This review looks at that.

The Commission concluded that the customer was not being well served. If social investment has a mission to serve society, then something serious was awry. What's more, Black-led social enterprises were structurally disadvantaged. The answer was reform to institutions at the heart of the market and more patient, flexible investment — better serving all involved. But reform by whom?

The results of this review are not encouraging. There have been some signs of progress but, overall, this is still a system designed to favour social bankers not social businesses. Some social enterprises are struggling with interest rates — and even being asked by investors to take a hit on the impact they produce, rather than the investors taking a hit on financial returns. This reality makes it hard to ignore questions of whether the social investment industry — with the freshly renamed Better Society Capital at its heart — puts the people it's meant to serve at the centre of decision-making.

Social investors are still using financial and risk analysis tools well evidenced to make the rich richer and the poor poorer. My aim isn't to make the very rich more diverse, but to distribute wealth more equitably amongst all of us, and that requires system change. While some investors have taken steps to improve representations and access to investment, the reform demanded has not taken place. Many social enterprises are still suffering from the same barriers to finance, and Black-led organisations even more so.

Some Black-led organisations have taken significant steps forward. The work of the Pathway Fund, Stephen Bediako OBE, Bonnie Chiu and others has been invaluable. I am proud to have played a role in my city, Liverpool, which supported the emergence of new Black-led investment and development of a place-based Social Investment Pathfinder. Keen observers of the social investment industry have reported seeing more focus in recent years on supporting Black-led social enterprises, and Black representation on investment committees; this has led to some change in outcomes, and it's clear that some investors have taken steps internally to improve their practice.

However, this report card overall is a depressing read. Social investment industry grew in a low interest rate environment, under a Conservative administration, and in a different era. What is its role now? Who is making profits? Who is benefiting? What do we need to do?

I agree with Lord Victor when he says it is evident that everyone needs to move faster. If social investment is to do what it's meant to do, then we need faster action to get that money where it is most needed, and appraisal systems that are genuinely 'impact first'. I encourage the government to look at what's really impactful, be radical in redesigning the institutions and models of social investment created over the last decade, and seriously consider how these tools might be better unleashed to make a more transformative impact for communities across this country.

In the region I work in, the social sector makes up 10% of the economy — and, where investment is available, social entrepreneurs are enjoying 33% growth whilst solving some of the country's most persistent market failures. There are pockets of transformative social impact work like this nationwide. Let's redesign our social investment so this impact is accelerated, multiplied and scaled to deliver a more inclusive and prosperous UK for everybody.

Former Mayor of Liverpool and co-founder of the Liverpool City Region Social Enterprise Place, Joanne is a business consultant specialising in equity, diversity, and inclusion, as well as social impact and social investment. She has developed, led, and supported numerous partnerships, policies, and organisations, driving stronger, fairer, and more inclusive economic and social outcomes. Currently, she is the Managing Director of Innervision Consultancy and the founder of BlaST, a network of 250 Black-led social entrepreneurs in the Northwest.

The Adebowale Commission on Social Investment

The Commission on Social Investment was an independent group set up by Lord Victor Adebowale CBE to investigate the state of the social investment market and how the market could better enable the growth of social enterprises.

The Commission's final report in January 2022 highlighted a major opportunity for economic and jobs growth. It called for "comprehensive structural reform" to the social investment market. It concluded that "the needs of social enterprises have been deprioritised over the past decade" and that social enterprises in the regions and nations of the United Kingdom have been served inequitably by social investment, as well as disadvantaged groups such as Black-led social enterprises. In particular, the Commission found that "social investment continues to have a serious problem with inclusion and equity particularly, although not exclusively, in relation to race".

The Commission found that the structure of the social investment market was at the root of these problems — particularly the lack of patient, concessionary capital, and the lack of flexibility in the structure of key institutions within the social investment market such as Big Society Capital (now rebranded as Better Society Capital and also known as BSC).

Three years on

Now as 2024 draws to a close, it is time to review progress against the Commission's recommendations, to identify what has changed and what has not.

Since the launch of the report, Russia has invaded Ukraine, sparking an energy crisis, and inflation climbed to its highest point in 40 years, prompting a cost of living crisis. The UK has had three different Conservative Prime Ministers and now has a new Labour government. Since 2021, the Bank of England's base rate rose from 0.25% to more than 5%. Civil society has been under immense pressure — struggling with higher costs, lower incomes and increased demand. Social Enterprise UK's *State of Social Enterprise*[1] research shows businesses increasingly under strain, faced with a range of economic barriers.

How has the social investment industry responded to the Adebowale Commission report, and to these shifting sands?

1. www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf

The ‘customer’ story — diversity in experience

Wider economic instability and uncertainty is a challenge for all businesses in the UK. But for some social enterprises and especially Black-led businesses, the challenges are even starker. One recent report, for example, revealed that many Black business owners in Greater Manchester are being routinely overlooked by investors, with reports that “people of colour don’t get the same opportunities”. Many said a lack of access to funding and business networks, and less generational wealth than white counterparts played a part.[2]

Social enterprises have long reported struggles to access sufficient or suitable finance. Social Enterprise UK’s State of Social Enterprise data from 2023[3] and 2021[4] tracks progress in this respect. When asked about organisations’ barriers to growth, the data suggest that:

- The main barriers disproportionately affecting organisations led by people from ethnic minority backgrounds are lack of access to business advice support and the economic recession / rising cost of living.
- Financial barriers are also more likely to be reported as a challenge to the growth and sustainability of organisations led by people from ethnic minority backgrounds. Significantly higher proportions of these organisations identify obtaining debt or equity financing as the specific barrier they face.
- 62% of social enterprises reported that financial barriers were impeding their growth in 2023. However, this figure rises to 70% among social enterprises led by people from ethnic minority backgrounds and 79% among Black-led social enterprises.
- The data also shows that whilst 38% of the surveyed respondents agree that “the amount of suitable finance available is sufficient”, this drops to 34% and 28% when looking at people from ethnic minority backgrounds and people with disabilities respectively. While the disparity has improved slightly since 2021, the proportion of organisations led by people from ethnic minority backgrounds reporting finance as sufficient has fallen from 38%.
- In 2023, 40% of social enterprises did not believe that the forms of finance available to their organisation were suitable, while 47% reported that they did not believe the amount of suitable forms of finance was sufficient. Again, the proportions were higher among social enterprises led by people from ethnic minority backgrounds and particularly in Black-led social enterprises; 51% and 59% respectively reported that they did not believe forms of finance were suitable for their organisation, while 54% and 62% respectively reported that they did not think amounts of suitable forms of finance were sufficient. Whilst this picture has stayed the same for social enterprises led by people from ethnic minority backgrounds, and slightly improved among all social enterprises, it has worsened for Black-led organisations since 2021 — marking a notable disparity when it comes to accessing finance, and an even tougher environment today than research reported three years ago.

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2. www.itv.com/news/granada/2024-01-08/report-reveals-Black-entrepreneurs-in-manchester-are-overlooked-for-investment
3. www.socialenterprise.org.uk/app/uploads/2023/12/Mission-Critical-State-of-Social-Enterprise-2023.pdf
www.socialenterprise.org.uk/app/uploads/2022/05/State-of-Social-Enterprise-Survey-2021-compressed.pdf

	2023			2021		
	All Social enterprises	Ethnic Minority led	Black led	All Social enterprises	Ethnic Minority led	Black led
Disagree forms of finance are suitable	40%	51%	59%	44%	51%	49%
Disagree amount of suitable finance is sufficient	47%	54%	62%	35%	46%	42%

When applying for funding and finance:

- 11% of 2023 respondents had applied for external funding in the last 12 months. The figure for survey respondents from ethnic minority backgrounds is 12%, showing that these social enterprises are equally likely to apply for finance - consistent with data from 2021.
- When looking specifically at applications for grant funding, 68% of respondents from ethnic minority backgrounds applied in the last 12 months compared to 58% on average. This is a shift from 2021, where they were less likely to have applied for grant funding.
- Organisations led by people from ethnic minority backgrounds were significantly less likely to have secured external funding. Only 42% of these organisations reported securing the external funding they applied for compared to 68% of white-led organisations.
- The types of funding applied for appear to have shifted from 2021 to 2023. Organisations led by people from ethnic minority backgrounds are increasingly likely to apply for blended and equity finance, and less likely to apply for loans, although sample sizes are low.

NB: The sample size for 2023 data is smaller than previous years, and particularly small when looking at certain groups. This should be kept in mind when drawing conclusions from the data.[5]

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5. The total weighted sample size in 2023 was 747, while for Black and Ethnic Minority-led organisations, the weighted sample size was 98. This marks a fall from 2021 when the same weighted sample sizes were 1,425 and 163 respectively.

Progress against recommendations

The Adebowale Commission's recommendations are the starting point for this report, which examines progress against each, also considering their relevance in today's market landscape.

1 Government strategy for social investment:

A new shared direction putting social enterprises front and centre, bringing in voices from across the country

2024 saw the election of a new Labour government, elected on a platform of *Change.* This new direction was quickly made evident in announcements like the creation of a National Wealth Fund, the scrapping of the Conservative's Rwanda plan and the end of one-word Ofsted ratings. Since the initial flurry of announcements, however, the pace of change has perhaps inevitably shifted — as new Ministers get to grips with their roles, the government's first Budget is formed and the Spending Review starts, which will dictate the financial constraints each department faces.

In this context, while it seems likely that the new government will want to put its own stamp on this agenda, a new strategy for social investment may not emerge for some time — if at all. There are signs of interest in recent weeks, such as a commitment to set up a new 'social investment vehicle' in the autumn budget, but details are still to emerge. In early September, civil society minister Stephanie Peacock responded to a parliamentary question on social enterprises by outlining a number of DCMS programmes designed and created by the Conservative government, highlighting the Life Chances Fund and the VCSE Energy Efficiency Scheme. She stated in November 2024 that a dormant assets strategy will be developed in due course. Change may take time.

So, we are still waiting for the new government to take a proper look at the legacy of the last government's approach to social investment. It remains to be seen whether the new government will put those who have had less power in the market front and centre of any new strategy — and give greater regard to diverse voices from across the country — to help develop and determine a new, shared direction.

2 Big Society Capital reform:

Changes to financial expectations and balance of portfolio

The institution now known as Better Society Capital (BSC) has not undergone any significant reform, beyond a recent rebrand. In fact, BSC follows more or less the same model as it did when it was created over a decade ago, continuing to operate in a landscape with very little external pressure to consider the course it follows.

Enthusiastic Ministers such as Nick Hurd and Francis Maude, who held clear views on the role of direction of the institution, moved on — replaced by Ministers who were seemingly less keen to steer the ship from Whitehall. State Aid rules no longer apply as they did before the UK left the European Union, while any greater flexibilities available under the new subsidy control regime do not seem to have been exploited.

While BSC continues the course it was set over a decade ago, the new government can bring renewed prospects of reform — including the opportunity to consider whether BSC is fit for purpose in today's very different world, and whether dormant accounts can be unleashed to have greater impact.

3 ‘Frontier Fund’ to double the pool of equity and quasi-equity:

New funding to expand the pool of products available to social enterprises

The availability of equity and quasi-equity products for social enterprises has not doubled in recent years. BSC statistics suggest that this area has grown a little, yet it remains a niche corner of the market. This data[6] does not explicitly report the scale of equity and quasi-equity channelled to social enterprise, perhaps a sign itself that this is still a relatively insignificant market segment. Nevertheless, the data does show that ‘ventures’ investment rose from £79m in the third quarter of 2022 to £87m at the same point in 2023. However, Access’s open data dashboards[7] do contain further market data including with specific regard to quasi-equity, although this remains a small proportion of overall activity. These dashboards also show the reach of Access’s programmes with regard to minoritised groups.

There has been some continued debate around the potential role of quasi-equity investment in social enterprise over recent years and further research in the area. Yet there is still very little activity beyond a few examples which demonstrate what is possible. Esmée Fairbairn Foundation, for example, has led the way, with several experimental investments but very few others have followed. The Growth Impact Fund (see below) has recently made available a £150,000 Revenue Participation Agreement with DWRM Consultants, an organisation that supports prison leavers and people in prison to access training and education. This is an investment which recognises that charities and social enterprise often struggle to secure high-risk capital available to for-profit ventures and addresses this gap through a revenue-sharing agreement where repayments are based on commercial success.

But it is tempting to conclude that there is either no real desire — or perhaps wriggle room — among investors to deliver this kind of risk-capital investment for social enterprise beyond a few experiments. It seems that conventional fund structures, risk and return expectations and accounting norms hold back such developments. Above all, this is perhaps a failure of the imagination in the market.

4 ‘Flexible Capital Taskforce’:

Government team to increase the amount of charitable foundation assets in programme-related investments

The previous government took several small steps since 2022 in the area of philanthropy and giving more widely — such as creating a new concierge service for high value transformational philanthropic capital, working to provide greater philanthropy training for financial advisors[8], and perennial attempts to streamline Gift Aid. However, it did not take forward any specific initiatives around increasing the supply of flexible capital from charitable foundations. The new Labour government’s plans for encouraging philanthropy and their approach towards charitable foundations and investment are not yet clear, and their manifesto makes no mention of either philanthropy or charitable giving.

Meanwhile, the Butler-Schloss judgment in relation to charity trustees taking into account ‘non-financial considerations’ when exercising their powers of investment, and work by the Charity Commission in this area, have been seen as promising by some and simply reinforcing the status quo by others.[9]

6. www.bigsocietycapital.com/our-approach/market-data/market-data-faqs
7. www.access-socialinvestment.org.uk/learning/quarterly-dashboard
8. www.gov.uk/government/speeches/minister-andrew-speech-at-the-beacon-philanthropy-impact-forum
9. www.bateswells.co.uk/updates/butler-sloss-v-charity-commission/

5 New investment in Access:
Financial support to maintain the pool and expand the reach of blended finance

In February 2022, the government announced that Access — the Foundation for Social Investment would receive £20m from dormant bank accounts to be invested in social ventures serving the most deprived communities in England. Access has made the £20m available to social investment intermediaries as grants, matched with loan funding raised from other investors to offer blended finance products to social enterprises, in the form of small flexible unsecured loans[10].

In 2023, the last UK Government then outlined its intended allocations for the Dormant Assets Scheme in England, which is expected to release £350m for England over 2024 and 2028[11]. The government said it intended to allocate this equally between the four causes:

- £87.5 million for the provision of services, facilities or opportunities to meet the needs of young people
- £87.5 million for the development of individuals' ability to manage their finances or the improvement of access to personal financial services
- £87.5 million for social investment wholesalers
- £87.5 million for community wealth funds

This was confirmed by the new government in November 2024, meaning that a further £87.5m allocation from Dormant Assets in England is set to be directed towards Access. This decision was influenced by the Community Enterprise Growth Plan: a cross-sector collaboration led by Access and BSC. Access and others proposed that this money drives investment into the places that need it the most - with at least 50% deployed in the most deprived 30% of neighbourhoods, and at least 25% in the most deprived 10% of neighbourhoods — and significantly reduces the well-evidenced diversity gap in access to finance for charities and social enterprises led by people from ethnic minority backgrounds.

However, it is not yet clear exactly how the new government thinks dormant assets should be used, perhaps more effectively. The government has said that further details will be published in a Dormant Assets Strategy in due course. While it seems likely that the new administration will think positively of the potential and contribution of blended finance models, this is still unconfirmed.

With the creation of Access around 2015, the idea of 'blended finance' seemed to offer hope of change for social investment in the UK. This was a new institutional correction to flaws in the design of BSC. As Access put it, the situation was one where "social investment doesn't appear able to offer the kind of finance that charities and social enterprises need — specifically smaller scale, higher risk, flexible and affordable loans…. And too often it's those organisations that focus on the most underserved places and communities who are missing out on what they need if they're to sustain and grow the vital work they do."[12] Access was created to help solve this problem.

The new government is surely reflecting on how it wants to distribute dormant accounts, and in doing so, will consider the merits of different models in the UK social investment landscape. Who is subsidising who, and why? Should one institution created with dormant accounts subsidise another? Or should some or more institutions adjust their expectations of return? These questions can no longer be ignored.

10. www.pioneerspost.com/news-views/20220210/access-foundation-reveals-timeline-distribution-of-new-20m-dormant-assets
11. The investment of Dormant Assets in other parts of the United Kingdom remains subject to the direction of the Devolved Administrations.
12. www.access-socialinvestment.org.uk/us/the-story-so-far/

6 'Social Enterprise Loan Guarantee'

scheme to encourage longer-term debt finance with lower rates of interest

There has been no specific new scheme in line with the Commission's recommendation, but social investors have been able to access existing guarantee schemes and build upon them. For example, Social Investment Business worked with The Ubele Initiative and Create Equity to create the Flexible Finance Fund — made possible through £2m from Access, to sit alongside their existing Recovery Loan Fund. This has directed loans of up to £1.5m to charities and social enterprises, with additional support and grants available to organisations led by people from ethnic minority backgrounds[13]. The Archbishop's Council, BSC, MFS Investment Management and Treebeard Trust were announced as further investors in early 2022, taking funds raised to date above £20m. The fund is also supported by the government's Growth Guarantee Scheme[14].

The Recovery Loan Fund itself provides loans of between £100k and £1.5m to UK charities and social enterprises based in England, Wales and Scotland. It was set up with initial investment from SIB and the Fusion21 Foundation — the charity parent and social investor of social enterprise and public sector procurement provider Fusion21 in January 2022. BSC's £40m investment is 86% of this £46.5m fund.

At the same time, balancing this encouraging progress, some government schemes to help direct investment towards social enterprise have been removed. BSC chief executive Stephen Muers described the removal of Social Investment Tax Relief — the only tax relief targeted at the social investment market — as "a weird un-levelling of the playing field".[15]

The Adebowale Commission called for loans with lower rates of interest — yet since 2021, the Bank of England's base rate has risen from 0.25% to 5.25%. To put this in context, Social Investment Business's flexible loan fund today offers a fixed interest rate of 7.9%. The Adebowale Commission could not have predicted rising base rates around the world but, nevertheless, we seem to be moving in the wrong direction.

Many social investors' expectations of return are driven not by Bank of England rates but by BSC, among other factors, from where many attract the finance they then invest onwards. In 2022, BSC reduced its target return from 4-6% to just 1%, admitting that the original target was "out of step" with both its mission and the market, and bringing it more in line with peers such as the British Business Bank. However, it seems this reflects merely a public recognition of the returns that BSC's existing approach has been delivering in practice, rather than a change of policy per se, and has not affected the terms of investments made.

In 2021, BSC reported a net profit of £16.1m, which represents a significant uplift from previous years, and a 2.6% return on average capital employed. In 2022, the institution reported a net profit of more than £4m.[16] However, the institution reported a loss of £6m in 2023, which it put down to tough economic conditions[17].

There is no indication that this is linked to a reduction in interest rates or targeted rates of return, as the strength of BSC's own profitability and returns to investors appears to remain the primary focus, rather than affordability of investment from the social enterprise perspective. "The longer-term objective is for the company to generate positive financial returns and social impact on a continuing basis in line with its stated return targets… The generation of realised financial returns, over the long term, will also support the company's operational and market-building costs and establish a dividend stream for our shareholders."[18]

13. www.ubele.org/our-work/flexible-finance
14. www.sibgroup.org.uk/funds/flexible-finance/
15. www.thirdsector.co.uk/government-unlevelling-playing-field-scrapping-tax-relief/finance/article/1816832
16. www.bigsocietycapital.com/annual-review-2022/financial-performance/financial-performance/
17. https://bsc.cdn.ngo/media/documents/BSC_Financial_Report_2023_Final.pdf
18. https://bsc.cdn.ngo/media/documents/BSC_Financial_Report_2023_Final.pdf

7 New Black-led and overseen fund

specifically to improve access, investment, standards, leadership and research in Black-led social enterprises

Since 2021, there has been a significant effort to explore the creation of a new Black-led and overseen social investment fund. The main initiative is the Pathway Fund, which describes itself as "an impact investment wholesaler dedicated to catalysing opportunities for Black and Ethnically Minoritised communities across the UK." The concept fortified by the Adebowale Commission's report was founded by Black Global Trust, The Social Investment Consultancy and Voice4Change England — led by Stephen Bediako OBE, Bonnie Chiu and Kunle Oluade MBE respectively. It has been supported by a range of organisations including the Joseph Rowntree Foundation, the Barrow Cadbury Trust, the National Lottery Community Fund, the City Bridge Foundation, the Esmée Fairbairn Foundation, and others including BSC.

While the concept was launched in November 2022, the fund is still currently in the development phase. It sought applications for three organisations to join an 18-month Fund Manager Incubator Programme in Autumn 2023, with the aim of this support leading to fund managers from ethnic minority backgrounds raising their first Investment fund. The case study on page 14 details one such group, BlaST and Innervision, leading the development of a stand-alone fund in the Liverpool city region.

Meanwhile, Pathway has worked with partners Do It Now Now to fund 12 enterprises to receive grant capital and capacity building support, and launched A Cost-of-Living Support Programme focused on supporting frontline charities and social enterprises, led by people from Black and Ethnic Minoritised backgrounds, funded by Access – The Foundation for Social Investment, utilising funds from the Dormant Assets Scheme. Pathway has also developed a new Race Equity Score Card, which enables investors to consider racial equity more intentionally in their public market investments.[19]

The Growth Impact Fund was launched in December 2022, aiming to tackle inequality in the UK by backing diverse social entrepreneurs and investing in organisations developing innovative solutions to inequality. The Fund is a Joint Venture between UnLtd: The Foundation for Social Entrepreneurs and Big Issue Invest Fund Management (BII) with the support of Shift as well as initial investment from BSC and Access.

Some keen observers of the social investment industry have reported much greater focus around supporting Black-led social enterprises on investment committees in recent years, while also noting that this has not necessarily led to a change in outcomes. By their own admission, social investment finance intermediaries (SIFIs) have become less representative in recent years[20]. However, it is clear that some investors have taken steps internally to improve their practice. BSC's 2023 Equity Diversity and Inclusion plan[21], for instance, sets out how it will take various steps such as "addressing the representation and lived experience of their board; update policies and job descriptions; publish our ethnicity pay gap, make content and events more inclusive" and so on. The plan also sets out how BSC will embed equity, diversity, and inclusion considerations into the investment process. It is hoped that these commitments have a meaningful and positive subsequent impact on investment flows.

In terms of research, 2022 analysis conducted by Social Investment Business on data from 4,000 organisations found that organisations led by people from ethnic minority backgrounds are generally smaller in size and have experienced systemic and historic underinvestment. Further research[22] on support provided by Power to Change, Social Investment Business and Access Foundation found a range of barriers that people from ethnic minority backgrounds face in accessing support, including systemic barriers that mean they are scarcely represented and limited recognition of their unique varied needs. The research field has developed, but a change in practice is yet to follow.

19. www.pathwayfund.org.uk/our-work/res

20. https://static1.squarespace.com/static/5aa271fa365f02ff28172333/t/5c2ce985758d46566d1fef59/1546447257262/Inclusive+Impact+-+Comprehensive+Review+of+the+Social+Investment+Sector+Report.pdf

21. www.bigsocietycapital.com/about-us/equity-diversity-inclusion/

22. www.powertochange.org.uk/wp-content/uploads/2021/08/PTC_3812_Minoritised_Ethnicity_Report_FINAL.pdf

8 Diversity and representation targets

these should bind all social investment institutions receiving money from government or dormant assets

Binding targets for diversity and representation have not been adopted among social investment institutions, but many organisations have been taking steps to try to improve the make-up of their investment committees and Boards. The Diversity Forum has created a manifesto where signatories commit to address equity, equality, diversity and inclusion (EDI) with more than 20 signatories to date.

Some progress has been made. For instance, BSC has developed its own EDI plan and published a Board Diversity Policy, as well as actively working to extend and recruit more diverse voices into membership, whilst also recognising that it can "do more to increase diversity in the most senior roles, so we will set targets for our senior leadership and wider staff in addition to our Board objectives". This comes ahead of the FCA's proposed diversity and inclusion regulation.[23] BSC also tested a new framework with fund managers to benchmark its equity, diversity and inclusion practice — with plans to embed this approach in all future investments.

The Diversity Forum and partners such as SIB Group have undertaken a project to improve diversity data collection and its use across the sector, as well as developing an EDI toolkit, designed to assist signatories in enhancing their equity, diversity, and inclusion practices. Meanwhile, BSC surveyed 27 fund managers and social banks in 2023 and reported that that "ethnic minority representation across the wider workforce outperforms the private equity and venture capital industry benchmark (17%)" but that "representation of ethnic minority groups across our portfolio regrettably decreases as seniority increases, as unacceptably seen in the wider industry"[24]. For example, Good Finance's *Investment Committees of the Future* aims to support "greater diversity and lived experience in investment decision making"[25] while Access publishes details of progress on equity, diversity and inclusion."[26]

9 Social enterprise infrastructure fund

dedicated support for place-led organisations and networks, with local authorities integrating social enterprises into economic strategies and procurement

There has been no new fund for social enterprise infrastructure since 2022, as described by the Commission. Despite the capital injections over several decades — into institutions such as BSC, UnLtd and Power to Change in particular — some areas of support infrastructure continue to be ignored.

Yet across the nations, cities and regions of the UK, devolved administrations and powerful mayors are leading the way in developing programmes of support for social enterprises, community businesses and co-operatives. The West of England Combined Authority's Social Economy West programme is just one example — with similar schemes up and running or emerging in Greater Manchester, West Yorkshire, London and Birmingham — perhaps paving the way for national coverage under the new government.

While these programmes are not designed specifically to support infrastructure bodies, they often strengthen them through their involvement in the delivery of support to frontline charities, social enterprise and others. Scotland remains a beacon, even from an international perspective, in terms of government support for social enterprise and its support infrastructure. Meanwhile, Cwmpas in Wales has harnessed significant public resources, allowing it to punch above its weight relative to counterparts elsewhere in the UK.

Elsewhere, however, relatively little in terms of resources is directed to infrastructure to support social enterprise. The original 2008 enabling legislation for dormant accounts described a social investment wholesaler as "a body that exists to assist or enable other bodies to give financial or other support to third sector organisations". 15 years on, the focus remains on the financial side of the equation.

23. www.fca.org.uk/publication/consultation/cp23-20.pdf
24. www.bettersocietycapital.com/impact-report-2023/esg-and-edi/
25. www.goodfinance.org.uk/resources/investment-committees-future
26. www.access-socialinvestment.org.uk/us/equity-diversity-and-inclusion/

Perspective from the field

Kindred is a Community Interest Company (CIC), owned locally and collectively, that reinvests money, space and learning in Liverpool City Region (LCR)'s social economy. Kindred co-designed the financial products with social enterprises. The first investment saw £750,000 to 20 organisations. These investees created jobs, increased their collective turnover, brought in other money, delivered social impact, provided new uses for empty buildings, incubated a network of 100+ Black-led social enterprises, and invested 25% of funds in Black-led social enterprises.

The Liverpool Social Investment Pathfinder was a tangible outcome of the Adebowale Commission's recommendations. A wider collaboration, which Kindred is central to, with the support of Fusion21, Livv Housing Group, LCR Combined Authority, Capacity, Power to Change and Liverpool University, it aims to build on this work and locally deliver the Commission's recommendations to enhance social investment in social enterprises, particularly Black-led ventures. This work is now underway, and the Pathfinder seeks to grow social investment in the city region by £50m over five years, creating jobs and strengthening the social enterprise ecosystem.

The overarching goal is to leverage social investment's power to foster economic growth, stimulate innovation and create a positive social impact within the Liverpool City Region. This Pathfinder aspires to set a precedent for inclusive and sustainable development, from which it can disseminate knowledge and insights to benefit other regions across the UK.

£12.5m of the Pathfinder will go to Black-led organisations. The Black Social Traders Network (BlaST) was established to make the community connections necessary for 25% of Kindred investment to go to Black-led organisations. BlaST recently worked with Black-led social enterprise consultancy Innervision to secure Pathway Funding that will support the creation of a stand-alone £12.5m fund for Black-led organisations in the city region.

Conclusions and next steps

Lord Victor Adebowale has condemned the slow pace of change in UK social investment[27]. Seb Elsworth of Access offers a related provocation, describing "the need for more of the kind of finance that we know social enterprises need in the shape of smaller-scale long-term patient finance that can be used for working capital or for investment in new services and products". Seb describes how there is more to do and calls for "renewed efforts to secure additional sources of funding and investment".[28]

This stocktake of progress — or the lack of it — represents a renewed call for structural reform, for new products, for new energy, new leadership and new thinking. The new government must take a long hard look at the institutions and models of social investment created over the last decade and consider how they might be better unleashed to make a more transformative impact across all communities in this country, especially those where the need is greatest.

This is a call to action — not delay — for rapid distribution of Dormant Assets, alongside other government-backed programmes such as the National Wealth Fund and the British Business Bank, in order to support the flow of finance to those who have been under-served for too long. It is time for a plan for change.

27. www.pioneerspost.com/news-views/20231123/we-need-black-leaders-leading-black-funds-victor-adebowale-condemns-slow-pace-of
28. www.pioneerspost.com/news-views/20231206/78bn-sector-failed-lack-of-long-term-finance-new-social-enterprise-uk-research