

# Case Study: West Itchen Community Trust

## Key Issues

- An enterprising infrastructure organisation instilling this culture in others
- Managing a property portfolio
- Preparing for growth through the use of loan finance



## Sustainable Funding Project Case Study: West Itchen Community Trust

### Summary

Based in Southampton and established in 2003, West Itchen Community Trust is an infrastructure organisation working towards the regeneration of the local area. In the somewhat unusual position of being given a property portfolio at its inception, the Trust must balance issues of commercial return with its social goals. Fundamentally an enterprising organisation who always knew they had to 'make money', the Trust works with local community groups and individuals who are also keen to adopt this approach. West Itchen Community Trust is now gearing up to expand its property portfolio through the use of loan finance.

### Date

Based on an interview with David Newton, Chief Executive held on 15 July 2008.



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### Background

West Itchen Community Trust was started in 2003 as a response to the SRB2 (Single Regeneration Budget 2) funding programme coming to an end. Considerable work had been done to regenerate the Southampton inner city area through funding of approximately £26million and it was decided that an organisation should be formed to carry this work on. Although this was statutory sector-led (with Southampton City Council fulfilling its obligation to have an exit strategy in place) community involvement was maintained through a local community steering group and volunteers coming forward to form the initial Board of Trustees.

The Trust was fortunate to secure significant backing in its development phase. Key funding totalling over £1.8million was received from Southampton City Council and the South-East England Development Agency (SEEDA). This funding comprised of two properties worth approximately £600,000 and £1.2million of grant funding with which to establish a property portfolio. The property portfolio was intended to enable the Trust to earn money which would sustain the organisation and create reinvestment back into the area.

### Aims

The Trust works towards regenerating the local economy and fostering community cohesion. The aim is for an inclusive diverse economy where local people can benefit from the growth of the city and be a driving force for the growth of the city.

Although advances had been made through the SRB2 programme, West Itchen Community Trust identified a number of key problems still facing the area, including:

- Low image of the area
- Low self-esteem felt by some residents
- A local economy that is not working well
- A poor environment in places

A business plan was developed to tackle these issues and to work towards the area being able to realise its full potential.



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### Model of working

To achieve the linked goals of community cohesion and economic regeneration West Itchen Community Trust applies a community development ethos, helping those who want to make a change. This is done through two work streams: helping local people to set up small businesses (delivered through the SO14 Enterprise Service) and helping people set up and deliver community action through social enterprise; that is, helping local voluntary and community organisations to begin trading to increase their income, become more stable and increase their professionalism.

Towards this West Itchen Community Trust offers coaching, seed finance (including microloans and interest free loans), small grants, information resources and facilitates networking. This is done through a small staff of four full time equivalent posts, including a chief executive, business coach, project development officer and finance officer.

### Finding their feet

West Itchen Community Trust recently went through the process of negotiating the sale of its first building with a view to investing in more property in its place. Reporting back on the implications of this to the regional development agency, at a time when it was also reaching the milestone of its five-year anniversary, lead to a time of reflection and assessment for the Trust.

‘We had to prove that we had done what we said we would do in our first five years. It was very useful to see what we had accomplished and to see where we could go’, says Chief Executive David Newton, in post since 2005. ‘I see the five year mark as the first phase of the Trust. We are still fairly new, we are still forming, but we are steady on our feet. We have achieved a lot and understand ourselves internally.’

‘In the beginning there was some battling with expectations due to the amount of money involved [£1.8million], but the revenue return actually only sustains a small team. Initially there was also the thought that we would do everything because we are the successor to SRB2. Over time that has been scaled back to supporting economic growth and community cohesion through supporting enterprise development and supporting the social environment. We soon realised that we would have to use our limited resources wisely. We have had to find our place in the local community; reassuring people that we weren’t going to step on toes, but instead complement the work of other infrastructure organisations. Now we are gearing up for the second phase: growth.’

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### The funding mix

In 2007/2008 West Itchen Community Trust's approximate £200,000 turnover was comprised of 75% returns from the property portfolio, 10% consultancy and 15% grants.

**Property**  
Newton states: 'The property is run primarily on a purely commercial basis, but it does have a social baseline in that it was started from grant funding and those who gave it to us were looking for social return. We need to run the properties effectively to maximise returns and sustain economic development. On one hand we are affordable, offer flexibility [in terms of lease length] and understand when people get into financial difficulties and may need some breathing space. On the other hand, it's run like a business. We charge market rates and if people can't pay the bills they have to leave.'

The properties offer a mix of retail, office and light industrial space, with the key target audience at the moment being small businesses and start-ups. In this way the Trust combines social support with a business-like approach which means more resources can be ultimately reinvested into the community.

In the Trust's early days the properties were managed by an external real estate agency, something which Newton believes was a 'smart move'. 'It enabled the organisation to find its feet and not be over-powered by the task of managing a portfolio of six sites,' he says. Over time the Trust took over the management of four properties, leaving the two largest ones with the agency. 'We could cut our teeth on four and because we were still using the agency we could ask questions and learn from them at the same time.' Ultimately notification that the agency's fees were going to be tripled led the Trust to take over management of the whole portfolio slightly sooner than they would have liked. However they survived the handover and would recommend this gradual approach to organisations in a similar position.



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### Consultancy

West Itchen Community Trust offers consultancy services inline with their main areas of focus: social enterprise development and business support. They have been subcontracted to provide services by clients including Business Links and the local university. 'We offer talks, training and business support', states Newton. 'We do not actively pursue this work. Instead we rely on networking and word-of-mouth to make people aware of what we offer.'

While Newton was eager to expand this area of work, the Board decided that at the moment the focus should be on the property portfolio. 'Consultancy remains an important second string to our earned income', says Newton. 'But as the Board rightly decided, there is more work to be done with growing the property portfolio at this stage. Investment in developing and advertising the consultancy business would detract from this and at the moment the property is the primary focus.'

### Grants

Over the years the West Itchen Community Trust has received ad hoc grants for various projects.

'We were always quite against taking on grants', says Newton. 'We didn't want to be at the behest of political change or be distracted from our core mission. This attitude also flows from the way we were created. We were given some property and told to go and make some money from it. It's our culture to make money for ourselves. But I think we have matured now from being against grants on principle. We can see grants as another form of risk and see how they can be managed as part of our funding mix. We don't want to loose out on benefits for our community.'

As such, the Trust has secured two-year funding from Capacity Builders to support the employment of an asset manager. As the property portfolio makes up such a significant proportion of the Trust's income it was thought only right that there should be an appropriate, qualified person managing it.

This new post will involve not only the practical aspects of managing the properties (thus freeing up Newton's time for more campaigning and strategy work) but also developing a local asset managers' network to help local groups make better use of their assets. Taking on this grant should therefore lead to a number of benefits: more effective property management, hopefully leading to greater returns to be reinvested; community development through better use of local assets; and increasing the Trust's appearance of professionalism as they gear up to grow the property portfolio. This latter point in turn should assist with the post becoming self-sustaining at the conclusion of the funding period.

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### Gearing up for growth

During their first five years West Itchen Community Trust kept their turnover at roughly the same level each year. They are now in the process of developing a strategic plan for the next five years which will focus on growing the organisation's income. This will be done through investment in commercial property facilitated through the use of loan finance.

Although the Trust have used bridging loans in the past (through their bankers NatWest) taking on a loan to the extent of purchasing property is new for them. As such, 2008 has been spent readying themselves for this growth and investment through getting systems in place (both financial and procedural), ensuring there are the right skills within the organisation, and becoming more professional in the way they manage their properties (which will be assisted by the new asset manager post).

'When we talk about getting ready for investment there are two parts to this,' says Newton. 'When you are borrowing to buy a property the bank will look to see if it stacks up in business terms. We say we will make so much, this is our income, and we have this other property as security. So it's quite straight forward. But the potential of socially orientated investment for us means more than this. We need to demonstrate the social return that will come from this investment. We need to be measuring and monitoring this. Eventually we want to be able to monetize it; that is to see the financial impact that comes from this social return on investment. We are currently looking at models to enable us to measure the financial worth of social investment'.

As the portfolio grows it is envisaged that in the future there will be a range of buildings offered at a range of prices. This would extend from entry level affordable buildings for start-ups through to premium properties able to generate a greater profit. It is hoped that a 'pipeline of tenants' will be built, as businesses can 'move up the chain' and into bigger and better buildings as they develop and grow.

‘It can become a question of commercial growth versus social investment.’

### **Balancing immediate goals with the ‘bigger picture’**

As an infrastructure organisation formed in the wake of SRB2, West Itchen Community Trust has a dual role: to provide direct support to individual business people and community groups; and to work towards the wider goal of regenerating and encouraging growth in the local area for the benefit of the entire local community. Although related, this dual purpose can cause complexity in decision-making. ‘It can become a question of commercial growth versus social investment’, says Newton. ‘A question of how much and when you should invest your profit to have the maximum impact on the community’.

The Trust has to think about the best way they can leverage their flow of spend into the community, remembering that realistically the amount they can spend is small compared to other major players. ‘By developing affordable property for start-ups we are creating employment space. This is an investment in our locality which should have a positive long-term impact. We could, in theory, invest in other places and get a better financial return. But our analysis suggests that the added social impact of local investment will save us spending on social issues in the future. This long-term cost-effectiveness is better than us earning a bit more extra cash in the short-term,’ says Newton.

Quite separate to this and its work encouraging trading, the Trust is also considering what role it can play in promoting community cohesion through the support of festivals and community events. ‘This locality is culturally diverse with many religious festivals that generate a lot of interest, and a number of other community events. But these can all suffer from volatility as they are largely managed by volunteers. There is potential here that is not being met,’ Newton believes. Having recognised this gap in support the Trust is considering employing a part-time festivals and community events coordinator. But this will only be done after careful consideration of whether it is appropriate for them to step into this role and also how it will be funded, either from a funding bid or addressed from property income. The need to ensure sustainability and suitability mean it will be a slow process as the options are considered.

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## Top five tips from West Itchen Community Trust

### 1. Buildings are not a magic wand.

Property in itself isn't the answer. Asset transfer isn't right for every community group. Tread carefully and consider the viability of the project as compared to the viability of the building. You will often have to spend money to get a building up to speed.

### 2. When you have limited resources you have to use them wisely

Consider projects and opportunities with more than one positive outcome towards your primary goal. Although our buildings are managed on a commercial basis, this activity is also in line with our social goals.

### 3. Evaluate the merits of different types of money.

Consider the various merits of different types of money and don't reject anything purely on principle. Properly evaluate if earned income is right for you, if loans are right for you. Don't write anything off. Consider what level of risk you are comfortable with and use this information to aid your decision-making.

### 4. Consider how you will evaluate what you do.

We are interested in social as well as financial returns. Soon we want to be able to monetize the how much our social interventions are worth.

### 5. A good Board should keep you on track.

When a Chief Officer develops an interest in making money through trade they can easily fall into the trap of becoming a 'serial entrepreneur', always wanting to move onto the next new idea. A good Board should allow avenues for experimentation but not allow an organisation to become diverted by an activity if the time isn't right.

## Links:

West Itchen Community Trust  
[www.wict.co.uk](http://www.wict.co.uk)

Sustainable Funding Project  
[www.ncvo-vol.org.uk/sfp](http://www.ncvo-vol.org.uk/sfp)



LOTTERY FUNDED

The Sustainable Funding Project is an NCVO initiative working in partnership with the Big Lottery Fund and Charity Bank

The project encourages and enables voluntary and community organisations to explore and exploit a full range of funding and financing options to develop a sustainable funding mix.

The Sustainable Funding Project  
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