



Introduction to Social Finance Workshop

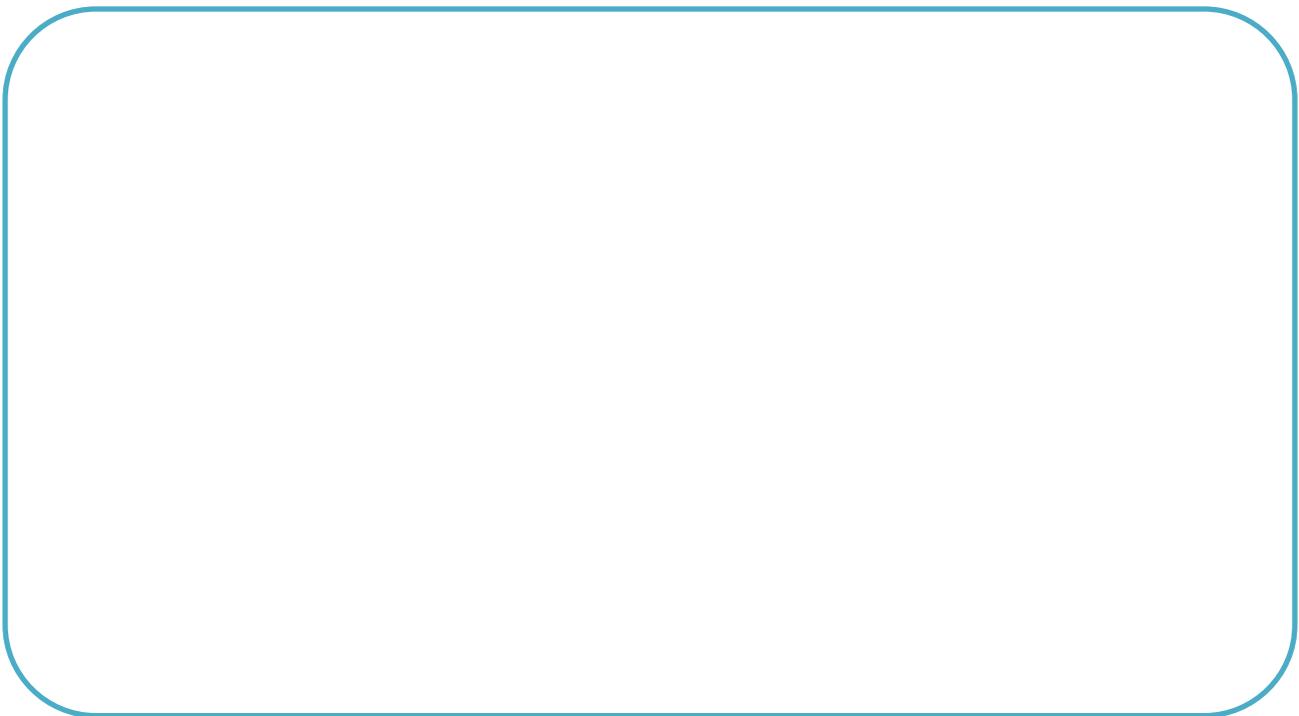
EMFAN Local Network Event - 11th December 2012

Workshop Agenda

- Introduction and expectations
 - What is social finance?
 - What role is government taking?

 - Innovating and growing
 - Being investment ready
 - Current social investment initiatives

 - Exploring the benefits and concerns
 - Final Q & A
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- What are the questions you always wanted to ask about social investment?
 - Your experiences of social finance?
 - What would you like to take away from this workshop?





What is Social Investment?

OVERVIEW

What is Social finance?

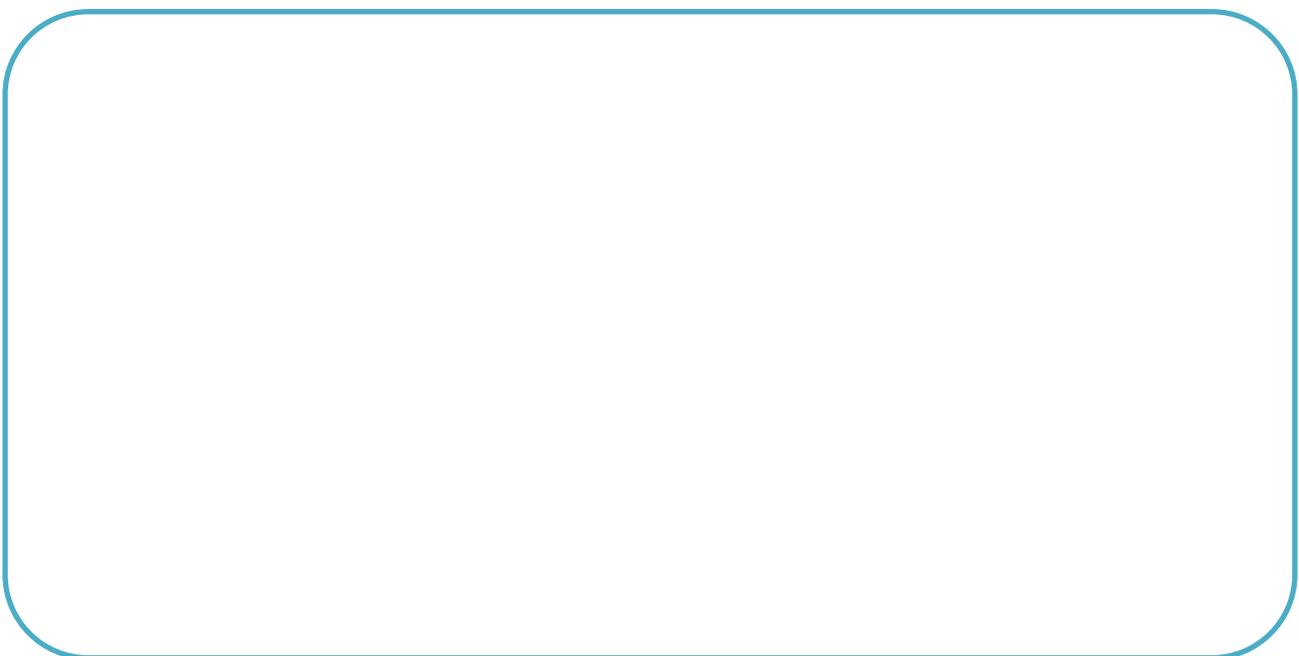
- Investment mainly to generate social impact, but with the expectation of some financial return
- Social investment provides capital which is giving social sector organisations the capacity to deliver more and to innovate and grow. It allows consortia to be built and bid for contracts they might not have previously been able to
- Over the last ten years various forms of social investment have grown rapidly and new forms are being introduced all of the time

What is the role of social finance?

• **Revenue funding** - allows an organisation to deliver defined outputs or outcomes for a project. It can also cover day-to-day activities, regular service provision and on-going projects.

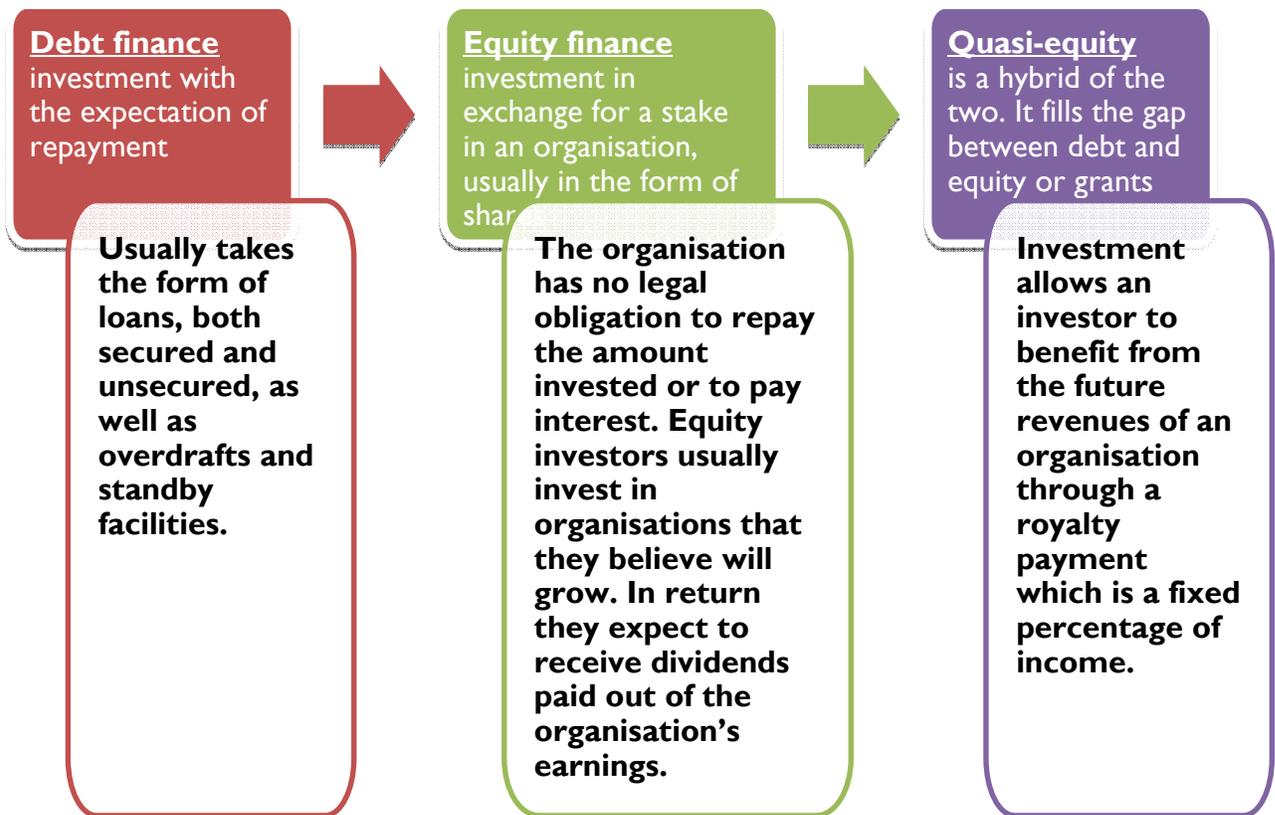
• **Capital investment** - provides finance to build an organisation's long-term capacity to achieve its social mission. It is used in different ways:

- To invest in asset acquisition
- As **working capital** – to manage time differences between spending money and receiving it and so continue on-going activities
- As **development capital** – to invest in innovation, growth and expansion
- As reserve capital – as insurance to protect against the unexpected



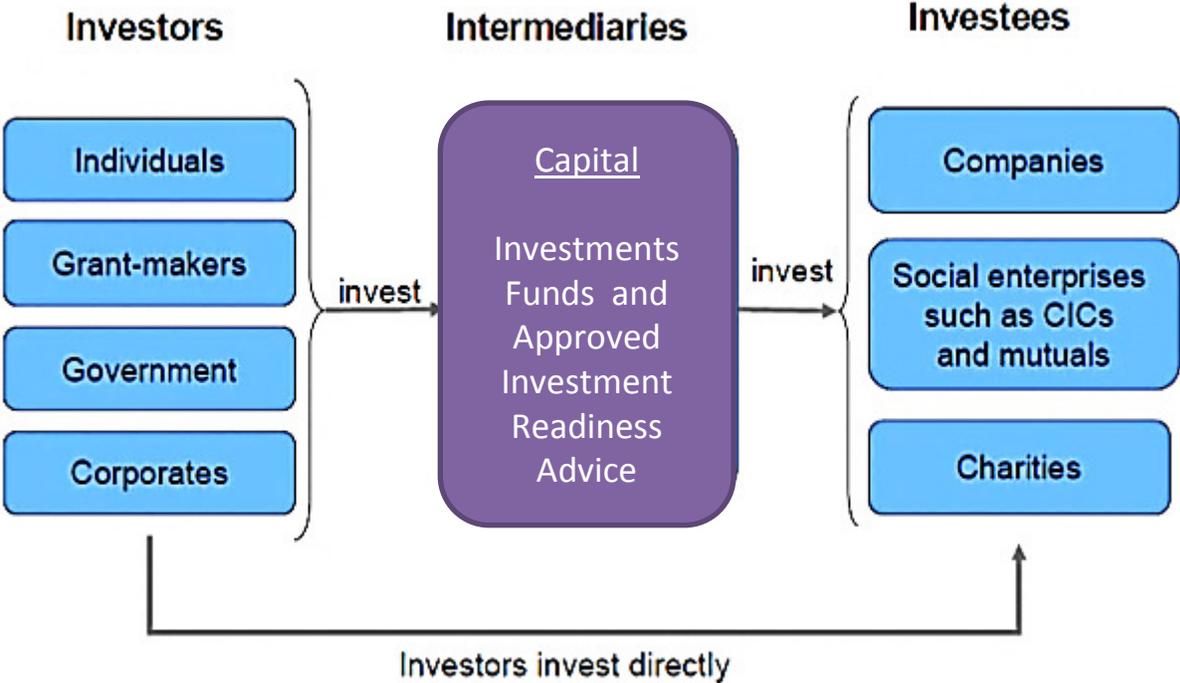
Types of social finance and investment

There are three main types of social investment:



<http://www.cabinetoffice.gov.uk/resource-library/growing-social-investment-market-vision-and-strategy>

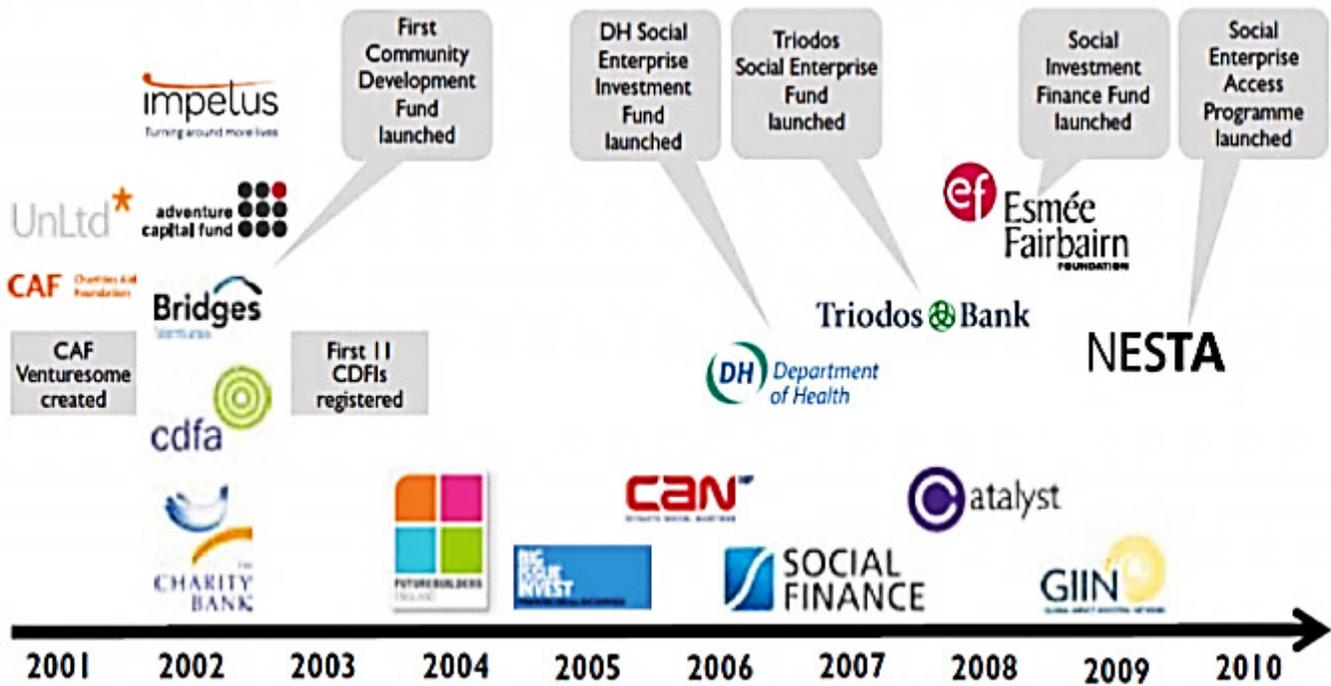
How the social investment market works as a whole



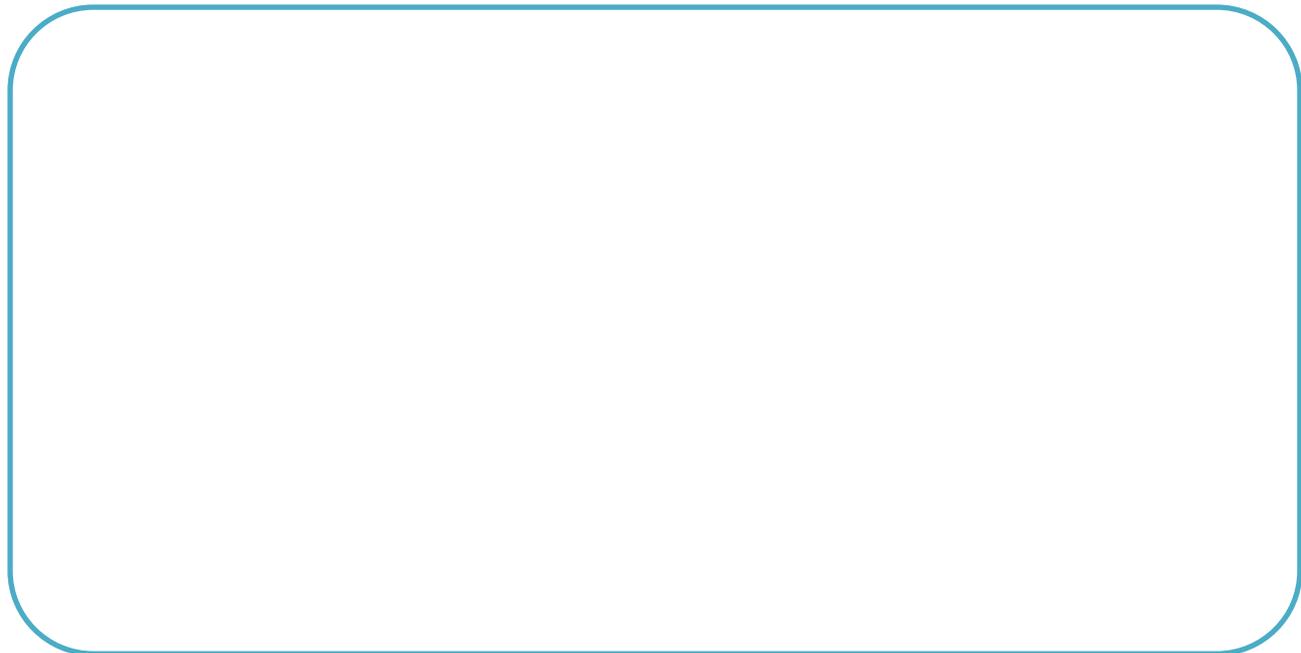
http://www.philanthropycapital.org/publications/improving_the_sector/Social%20investment/guide_to_social_investment.aspx



The emerging social investment market



The market has seen the rise of **social investment advisors**



You will hear lots of other terms – here are some examples

- Secured loan
- Standby / Underwriting facility
- Overdraft facility
- Bridging loan
- Pre-funding of fundraising
- Working capital facility
- Grant
- Philanthropic capital
- Venture philanthropy
- Patient capital
- Growth / Development capital
- Equity investment
- Quasi-equity / Revenue participation
- Community Development Finance Institutions (CDFIs) <http://www.findingfinance.org.uk>
- Social impact bonds
- Charitable bonds
- Community investment

Go to:

<http://knowhownonprofit.org/funding/social-investment-1/investment-types>

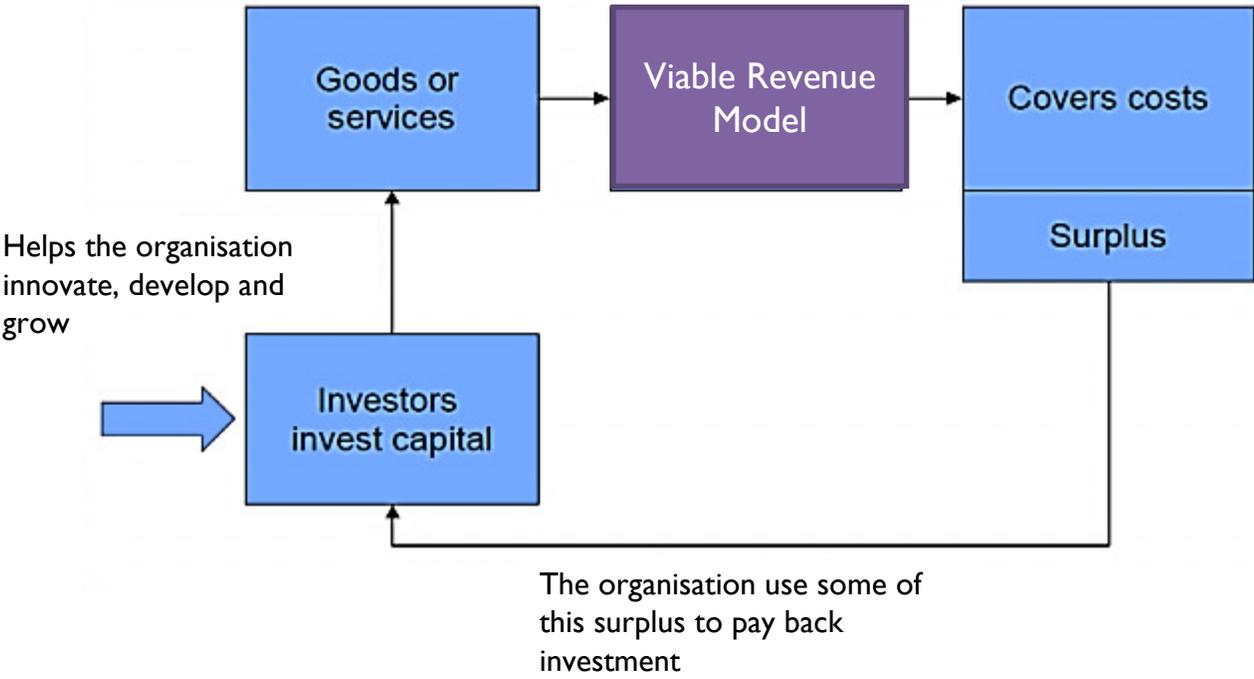
Development Capital - Case Study (Bridges Ventures)

- **Auto22 (National Youth Charity)**
- Auto22 runs a fully functioning commercial garage which provides training & employment opportunities for disadvantaged and vulnerable young people. It also manages the skills centre located next door, which provides vocational training in motor mechanics while offering a development route through an apprenticeship and ultimately long-term employment in the garage.
- **Website** www.auto22.co.uk
- **Impact** The skills centre teaches c.70-100 young people each year, the majority of whom are from extremely deprived backgrounds (predominantly referred from Pupil Referral Units or Youth Offending Institutions), while each of the garages will provide placements for 10 students a year, in addition to one Apprenticeship place at any one time.
- **Stage** Development Capital - £450k
- **Date of initial investment** 14/02/2012

Working Capital - Case Study (Key Fund)

- **Sportsability** was created to work with education, disability support groups and community groups in Hull and the East Riding. They provide structured activity and increase engagement in sports from all parts of the community.
- Having achieved rapid success and an increasing awareness by word of mouth, Sportsability were keen to develop their business and expand their resources. This involved investing in the development of their team and also extending their equipment to offer a broader range of activities.
- Funding without an asset base is difficult, and the business was unable to secure financial support to achieve their objectives from traditional sources.
- **Key Fund £9,000** finance package - working capital, specialist coach training , equipment, new website and branded uniforms.
- *“Working with Key Fund was much simpler than I’d expected. I’d recommend them to any organisation needing funds to help them grow and increase their impact in the community”.*

In broad terms how is the investment paid back?





Government's role in promoting Social Investment

Vision and Strategy from the Cabinet Office on social investment

- *“Our vision is to create nothing less than a long-term ‘third pillar’ of finance for our crucial social ventures, alongside traditional giving and funds from the state. This pillar of finance is social investment, money that blends financial return with social return”*
- This an embryonic market - it has grown from almost nothing over the past 10 years, and in 2011 made nearly £200 million of social investments. But this is still way below its potential scale and the funds available.

<http://www.cabinetoffice.gov.uk/content/growing-social-investment-market>

Progress Update on Big Society Capital

- Big Society Capital (BSC), the first social investment institution of its kind in the world.
- Funded by dormant bank accounts and equity investment from Britain’s four largest banks, BSC will have approximately £600 million of capital.
- It has been set up to be independent of Government
- It has committed the first £37 million to 12 investment funds
- <http://www.bigsocietycapital.com/>

The next twelve months will see Government focus on:

- Supporting social entrepreneurs with promising ideas to start-up new social ventures through the development of **‘social incubators’** that provide space, finance and support.
- Supporting more **social impact bonds** to get off the ground and enable social ventures to deliver large public service contracts through a potential dedicated **Outcomes Finance Fund**.
- **Remove barriers**, making it easier to invest in social ventures by reviewing the legal, regulatory and financial frameworks



Innovating and Growing

Should my organisation take on social investment?

- Social investment has the potential to deliver real benefits for many social organisations. It can help them to scale up their services, develop new projects, innovate new enterprises.
 - For the disability charity Scope, social investment helped to build new residential facilities for adults with complex disabilities.
 - The Young People’s charity in Derby Valley CIDS used investment to set up new shops, with surpluses generated by these enterprises too develop Youth Centres and Open Spaces

If capital was no issue at all:

How would you want to grow your organisation?

What innovation would you like to explore

How would you increase your social impact?

- ***Innovate activities that achieve a real difference:*** work that struggles to get funding from elsewhere.
- ***Make good use of resources:*** investment in assets to generate income for years to come.
- ***Become more financially robust:*** to, increase income, win contracts or smooth out uneven cash flow



Being Investment Ready

Investment Readiness - what is it all about?

Organisational Readiness:

- **Strategy** - Vision, Goals, Brand and Governance
- **Financial Management** - Business Plans, forecasts and cash flow
- **Viable Revenue Model** - Products and Services, Market context & competition, track record and customer trends (value proposition)
- **Performance Measurements** - KPIs, Reporting, SROI, Outcomes
- **Risk Management** - risk assessments, mitigation plans
- **People and Culture** – Innovation and enterprise, engagement strategies, change management



Investment Proposition:

Social Impact

- Clearly identifiable, high social or environmental value creation

People, Products and Projections

- Strong management team with proven capability to deliver
- High value-for-money product or service
- History of positive cash generation or a clear near term path to cash and surplus generation
- Available security

Growth Potential

- Viable revenue model which is either scalable or replicable

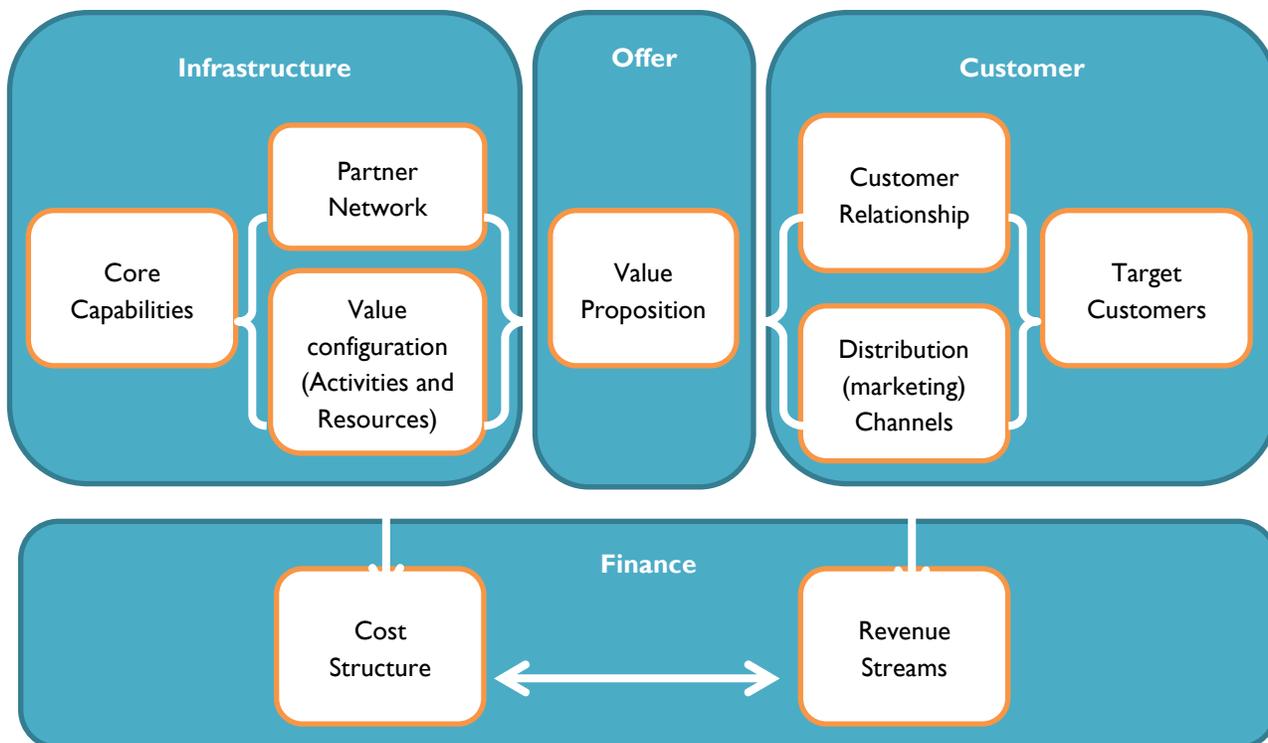
Pre- Feasibility and Feasibility

<http://www.beinvestmentready.org.uk/social-ventures>



Viable Revenue Model

The role of the Model is to capture value from innovation and is a fundamental element determining the investment



Case Study – The Investment Journey

- **Envision** is a medium-sized charity, working with 6,000 young people annually in four English cities. Envision views social investment as being ‘on the horizon’ for the charity, and has identified potential investors, but the journey has taken time
- *“We recognised three to four years ago that trust funding would never sustain the organisation so we moved to a mixed funding model. We’re developing products that we could sell to corporates and to the education market. We’ve had some initial grant funding to enable that to happen. Most importantly, we’ve had pro bono consultancy from two venture capitalists and management consultants. They helped us understand our strengths and our offer, create a marketing plan and segment the market. We’ll test this out ourselves next year and have put staff in place to enable this. Then we’ll need more grant funding to get it to the next level. At the end of next financial year or the one after that we’ll be ready to seek investment”.*

Case Study (Impetus Trust – Venture Philanthropy)

- **Ripplez (East Midlands)** offers an intensive and structured home visiting programme for first-time teenage mothers from economically disadvantaged backgrounds, which has proven to improve the children's long-term health development, their future school readiness and the parents' economic self-sufficiency. This organisation is a PCT spin-out.
- **Impetus support package**
 - **Impetus investment period:** 2012 - 2013 (Planning phase investment*)
 - **Planning phase funding approved:** £50,000
 - **Pro bono services donated:** £38,540
- **Background to the investment**
 - Impetus is investing in Ripplez initially for 12 - 18 months with a view to making a longer-term investment at the end of the planning (readiness) process.
 - The social venture is expected to receive up to £400k in strategic funding during the total length of the Impetus investment, and at least the equivalent of that amount in pro bono expertise, management support and additional funds raised.
 - The aim of the investment is to support Ripplez's ambitious growth strategy.



Current Social Investment Initiatives

Current Social Investment Initiatives (Sept 12)

Name	Type	Detail	Link
Big Society Capital	Catalytic investment	Funded with up to £400m from dormant accounts and £200m investment from UK high street banks over the next 5 years. It is open to investment proposals from SIFIs on a rolling basis.	http://www.bigsocietycapital.com/
Bridges Social Entrepreneurs Fund	Catalytic investment	The Fund was launched in August 2009 and has raised nearly £12m for investment in scalable social enterprises delivering high social impact and operating sustainable business models.	http://www.bridgesventures.com/social-entrepreneurs-fund
Social Enterprise Investment Fund	Grant funding and soft loans	The Department of Health Social Enterprise Investment Fund (SEIF) is looking to invest around £19m in 2012-13 in health and social care social enterprises delivering high social impact	http://www.thesocialinvestmentsbusiness.org/our-funds/seif/
Regional Growth Fund (round 3 now closed)	Catalytic investment	RGF aims to stimulate long-term economic growth, particularly in areas that are over-reliant on public sector jobs. £30m grant over three years to the Community Development Finance Association matched by £30m of finance from Unity Trust Bank and the Cooperative Bank.	http://www.bis.gov.uk/rgf
Business Finance Partnership	Catalytic investment	Government is making available £1.2bn through the Business Finance Partnership (BFP) to ease the flow of credit to small and medium-sized enterprises, including social ventures, by diversifying their sources of finance and making them less reliant on bank lending. 1. Enterprise Finance Guarantee Scheme 2. National Loan Guarantee Scheme 3. Enterprise Investment Scheme 4. Seed Enterprise Investment Scheme	1. http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee 2. http://www.hm-treasury.gov.uk/nlgs.htm 3. http://www.hmrc.gov.uk/eis/ 4. http://www.hmrc.gov.uk/seedeis/index.htm
Investment and Contract Readiness Fund	Grant funding	ICRF is a 3-year, £10m fund established to build a strong pipeline of social ventures that are equipped to secure new forms of investment or compete for public service contracts. Grants of between £50,000 and £150,000 to ambitious social ventures, with the potential for high growth.	http://www.thesocialinvestmentsbusiness.org/our-funds/beinvestmentready/
Social Incubator Fund	Catalytic investment	The Social Incubator Fund is a 3-year, £10m fund that aims to help drive a robust pipeline of start-up social ventures into the social investment market by increasing focus on incubation support and attracting new incubators into the market. The Social Incubator Fund is managed by the BIG Fund.	http://www.biglotteryfund.org.uk/prog_social_incubator_fund?regioncode=-uk

Current Social Investment Initiatives (Sept 12)

Name	Type	Detail	Link
Social Impact Bond Pilot (MOJ)	Payment by results	The first Social Impact Bond (SIB) aims to reduce reconvictions among male offenders sentenced to less than 12 months. Investors will receive an increasing return for reductions in reconvictions beyond the initial threshold, up to a cap of around £8m.	http://www.onesib.org/#/home/4542508805
Innovation Fund	Payment by results	The 3-year, £30m Innovation Fund uses a social investment approach to deliver payment by results interventions to improve educational and employment prospects for young people.	http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund/
Social Impact Bond Centre of Excellence (CO)	Intellectual Capital	Four English local authorities to design social impact bonds (SIBs) targeting troubled families. Insights from these and other SIBs are being used to establish a Social Impact Bond Centre of Excellence to support the development of more SIBs.	http://www.socialfinance.org.uk/sib
Community Right to Challenge Support Programme	Grant funding	The £12m Community Right to Challenge Support Programme will support social ventures to conduct pre-feasibility, feasibility and service delivery activity to enable them to bid and effectively deliver local services	http://communityrights.comunities.gov.uk/what-are-community-rights/community-right-to-challenge/
Community Ownership of Assets Support Programme	Sector development and intellectual capital	CSUP is a partnership between Co-operatives UK and Locality and is funded by DCLG. The three-year project aims to grow a sustainable community shares market and enable more community enterprises to use share offers as a way of raising equity finance. The CSUP aims to support over 500 new community ventures with the launch of 200 new share issues.	http://www.communityshares.org.uk/home
Mutual Support Programme	Business Support	The £10m Mutual Support Programme (MSP) provides advice and bespoke professional support both to groups of staff looking to establish public service mutuals and to existing mutual organisations. The MSP funding, administered by the Cabinet Office, purchases HR, legal, financial, tax, and other professional services to develop the most promising new mutuals.	http://mutuals.cabinetoffice.gov.uk/
Credit Union Expansion Project	Catalytic investment	DWP has committed to investing up to £38m over the next three years in credit unions. The aim is to support the sector to provide the kind of financial services for consumers on lower incomes	http://www.dwp.gov.uk/other-specialists/credit-union-expansion/latest-news/
Inspiring Impact	Intellectual capital	Inspiring Impact is a UK-wide collaboration between eight organisations to make high quality impact measurement the norm for charities and social enterprises by 2022. The Cabinet Office is providing £100,000 to Inspiring Impact over three years, alongside support from Big Lottery Fund, The City of London, Deutsche Bank and the Diana, Princess of Wales Memorial Foundation.	http://inspiringimpact.org/

Main national social investment intermediaries (lenders)	
Charity Bank www.charitybank.org	Finances social enterprises, charities and community organisations, with the support of depositors and investors who want to use their money to facilitate real social change.
Social Investment Business www.thesocialinvestmentbusiness.org	Helps civil society organisations as a whole prosper through better access to finance, support and long-term strategic thinking. Runs Communitybuilders, Adventure Capital Fund and Social Enterprises Investment Fund.
Social Finance www.socialfinance.org.uk	Building a pioneering organisation to develop financial products that marry the ambitions of investors and the sector. It developed the Social Impact Bond concept.
Bridges Ventures www.bridgesventures.com	Establishes funds that aim to achieve social and/or environmental goals as well as aiming to achieve financial returns for investors.
CAF Venturesome www.cafonline.org	Provides loans to charities, social enterprises and community groups when grants may not be available and access to traditional financial institutions is difficult.
Triodos www.triodos.co.uk	Describes itself as the world's leading ethical and sustainable bank. Provides products for charities and social enterprises.
UnLtd unltd.org.uk	A complete package of resources from direct funding, to ongoing advice, networking and practical support, typically for community entrepreneurs.
Rathbone Greenbank Investments rathbonegreenbank.com	Provides personalised and professional investment management services for investors who want to ensure their investments take account of their environmental, social and ethical concerns.
Big Issue Invest www.bigissueinvest.com	A specialised provider of finance to social enterprises or trading arms of charities that are finding business solutions that create social and environmental transformation.
Unity Trust Bank www.unity.co.uk	A specialist bank for civil society, social enterprises, councils, trade unions and small businesses.
Social Investment Scotland www.socialinvestmentscotland.com	Aims to help grow the size of the social business marketplace in Scotland. Runs the Social Investment Scotland Loan Fund and Scottish Investment Fund.

Regional social investment intermediaries (lenders)

GLE OneLondon	Provides a range of financial products to unlock the potential of businesses and organisations across the UK, from grants and loans, to cashflow and equity finance.
www.gle.co.uk	
The Key Fund	Provides grants and loans, investment, and support for social enterprises, charities, community and voluntary organisations.
www.thekeyfund.co.uk	
The Social Enterprise Loan Fund	Provides loans to charities and social enterprises that are unable to secure sufficient funding from mainstream sources.
www.tself.org.uk	
Ulster Community Investment Trust	Provides affordable finance and free support for community organisations, charities and social enterprises.
www.ucitltd.com	

Trusts and foundations

The Ashden Charitable Trust	Supports charitable activities through loans, interest free loans and in some cases an equity stake in organisations that meet the charitable objectives of the Trust. It invests in response to requests by grant recipients.
www.ashdentrust.org.uk	
Esmee Fairbairn Foundation	Its £15m Finance Fund provides social finance in three main ways: indirect funding via intermediaries, direct funding to not-for-profits, and development funding to test new ideas.
www.esmeefairbairn.org.uk	
EMF Foundation	Over the past five years, EMF has developed a portfolio of social investments aimed at nurturing community, regeneration, sustainability and social enterprise.
www.emfoundation.org.uk	
Impetus Trust	Impetus combines strategic grant funding and expertise to enable ambitious charities and social enterprises to turn around more lives.
www.impetus.org.uk	
Panahpur	Makes investments in not-for-profits to move them to long-term independent sustainability, and in social enterprises for positive social and financial outcomes.
www.panahpur.org/portfolio	
Private Equity Foundation	Provides grant funding and pro bono private equity advice to portfolio of youth-focused charities.
www.privateequityfoundation.org	
Trust for London	Has set up Capital for London to make investments that, in addition to offering a financial return, contribute to its mission of tackling poverty and inequality in London.
www.trustforlondon.org.uk	
Tudor Trust	Has made programme-related investments over a number of years—75 loans since 1985—usually to purchase or refurbish properties.
www.tudortrust.org.uk	
Venture Philanthropy Foundation	Has so far invested in three organisations: Charity Technology Trust; Training for Life; and Riders for Health.
www.vpf.org.uk	

Brokers of finance and advice

Resonance	Works with social enterprises in the UK, assisting them in their development strategies and matching them with investors. It currently manages two funds financing property and community share underwriting.
http://www.resonance.ltd.uk	
Shaftesbury Partnership	Develops mechanisms to support the incubation and funding of large-scale social initiatives, by harnessing in a risk-managed way the capacity of high calibre young people, seeding them with the help of institutional and retail philanthropic investors.
www.shaftesburypartnership.org	
Social Stock Exchange Ltd	A public stock market for social enterprises, social purpose businesses and social instruments such as bonds to list and to allow social impact investors to invest.
www.socialstockexchange.com	
Clearly So	The first online marketplace for social business and enterprise, commerce and investment.
www.clearlyso.com	

Other

Allia (formerly City Life)	Allia's mission is to raise funds for charities working to tackle unemployment and disadvantage. Its charitable bond invests in social housing and distributes profits to charities.
www.allia.org.uk	
Nesta	Nesta is an independent body with a mission to make the UK more innovative. Its recent work on social investment includes running a Big Society Finance Fund to prototype wholesale social investment activities in order to demonstrate the role the Big Society Bank could play.
www.nesta.org.uk	
The Young Foundation	The Young Foundation provides research and policy advice on social investment to local and national governments as well as internationally. It also works in partnership with charities and social ventures to develop their business model and strategies including the design of SIB and payment by results models.
www.youngfoundation.org	

Good sources of detailed information

- Social Enterprise UK <http://www.socialenterprise.org.uk>
- The Good Deals Almanack
http://www.socialenterpriselive.com/sites/default/files/files/supplements/GD_Almanack_2009_spreads.pdf
- Funding Central <http://www.fundingcentral.org.uk>
- Investing for Good www.investingforgood.co.uk
- Finding Finance <http://www.findingfinance.org.uk>
- ClearlySo <http://www.clearlyso.com/>
- JPA Europe has produced a guide, The Social Investment Market in the UK:
<http://www.jpa-group.com/publications.aspx>

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