

A BEGINNER'S GUIDE TO

SOCIAL INVESTMENT

A growing number of charities and social enterprises are beginning to use social investment as an additional tool to fund their organisations and support their social missions.

IN THIS GUIDE, YOU WILL FIND INFORMATION ON:

What is social investment

The types of products available and case studies

Where you could access investment

Big Society Capital shares a number of stories from charities and social enterprises about their experience of social investment.

Find out more at www.bigsocietycapital.com/what-we-do/investor/case-studies and www.bigsocietycapital.com/latest/type/blog



WHAT IS SOCIAL INVESTMENT?

Social investment is the use of repayable finance to achieve a social as well as a financial return. This means that the investor will expect their money back (usually with interest), but they will also be investing in the social impact that is created by the work that your charity or social enterprise is doing.



Social investment won't be right for every organisation or project. It should be considered alongside other options, such as bank loans, grants and raising funds from donors. Investments must be repaid, so your project or activity needs to generate enough of a surplus to generate a return for the investor and support your own sustainability, as well as having a social impact.

The exact shape of this return will vary depending on the type of investment which is influenced by what you need the money for and how long you need it.

It is true that social investment may not be as 'cheap' as mainstream lending as it is focused on taking greater risks but this type of lending can come with other benefits such as support before and during the investment, help to strengthen your board or strengthen your business plans.

WHAT MIGHT SOCIAL INVESTMENT BE USED FOR?

Social investment can be used...

- **To take out a mortgage to buy a building where the repayments are less expensive than the rent costs.**
- **To raise funds for a specific purchase like a new van or vehicle which will help your organisation deliver more services.**
- **To provide funds to finance the upfront staff and overhead costs of taking on a payment-by-results contract.**
- **To allow you to scale up a new service or product. You are likely to have already done market testing and have a clear sense of who the customer is.**

SOCIAL INVESTMENT PRODUCTS

Secured loans - loans secured against an asset (usually a building or equipment). They are particularly used to buy an asset or to raise funds from an existing asset to fund other projects.

Unsecured - where the investor does not take security on the organisation's assets. They are used when an organisation does not have assets and wants to borrow money to fund working capital for growth of services.

CASE STUDY: SOUTHMEAD DEVELOPMENT TRUST



Southmead Development Trust took on a £50,000 loan from Pure Leapfrog to install 207 solar panels for The Greenway Centre, a community business centre which provides training courses for job-seekers, fitness classes for referrals from local GPs and facilities for local start-ups.

Blended finance - a combination of unsecured loan and grant. This is usually for smaller sums, and for smaller or earlier stage organisations. The Access Foundation has been set up to support this type of funding. For more information on blended capital

visit www.access-socialinvestment.org.uk.

Charity bonds - debt from multiple investors that can be traded or transferred. Charity bonds offer an opportunity to raise the profile of your organisation and engage with a new audience of investors.

CASE STUDY: GOLDEN LANE HOUSING



In 2014, Golden Lane Housing listed the first ever charity bond on the London Stock Exchange raising £11 million in eight days. The bond enables the charity to provide high quality, supported housing for 120 disabled tenants.

Quasi equity – a form of debt where the repayments are more flexible and are linked to a % of future income or surpluses.

Equity incl community shares - shares (ordinary or community). Community shares are relevant to local organisations who need finance to take over local assets or run local services. Investors will be repaid through dividends (dependent on surpluses made by the company) or by selling on their shares.

SOCIAL INVESTMENT PRODUCTS

Social impact bonds (SIBs) - public contracts set to improve the outcomes of services by making funding based on achieving results. Social investors pay for the project at the start. If the organisation delivers the expected outcomes, the local or national government pays back the investors with interest.

CASE STUDY: ADVIZA ENERGISE SIB



The Adviza Energise SIB is funded by the Department for Work and Pensions' Innovation Fund which provided £902,000 to support 14-15 year olds at risk of not entering further education, employment or training through mentoring and group work.

INVESTMENT FROM INDIVIDUALS

Crowdfunding - this is a popular way of raising finance by asking a large number of individuals to donate to or invest small amounts of money in a specific cause or project.

Visit www.ukcfa.org.uk for more information.

Social Investment Tax Relief (SITR) - SITR is a new government incentive which offers a 30% tax break for individuals investing into a trading charity or social enterprise.

Find out more at www.GoodFinance.org.uk/SITR

WHERE CAN I ACCESS INVESTMENT?

The social investment market is expanding and there are now a number of social investors across the UK offering a range of investment products and expertise.

These include:

- Social banks and mainstream banks
- Social investment fund managers (SIFIs)
- Venture funds
- Trusts and foundations

GOOD FINANCE

Good Finance is a beta website launched to help improve access to information on investment and finance for charities and social enterprises. It offers a list of sources of social investment across the country.

Visit www.GoodFinance.org.uk

Good Finance is supported by the following organisations:



There are also grants available like Big Potential which can help meet the costs of advice from approved advisory organisations, and to help initially explore whether social investment is right for you.

Visit www.bigpotential.org.uk

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This publication is intended as a general overview of the subjects dealt with and is not intended to be, and should not be used as, a substitute for taking advice in any specific situation.