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Tapping into new sources of social investment

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LOTTERY FUNDED

Ben Jupp, Director

ben.jupp@socialfinance.org.uk

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The social investment spectrum

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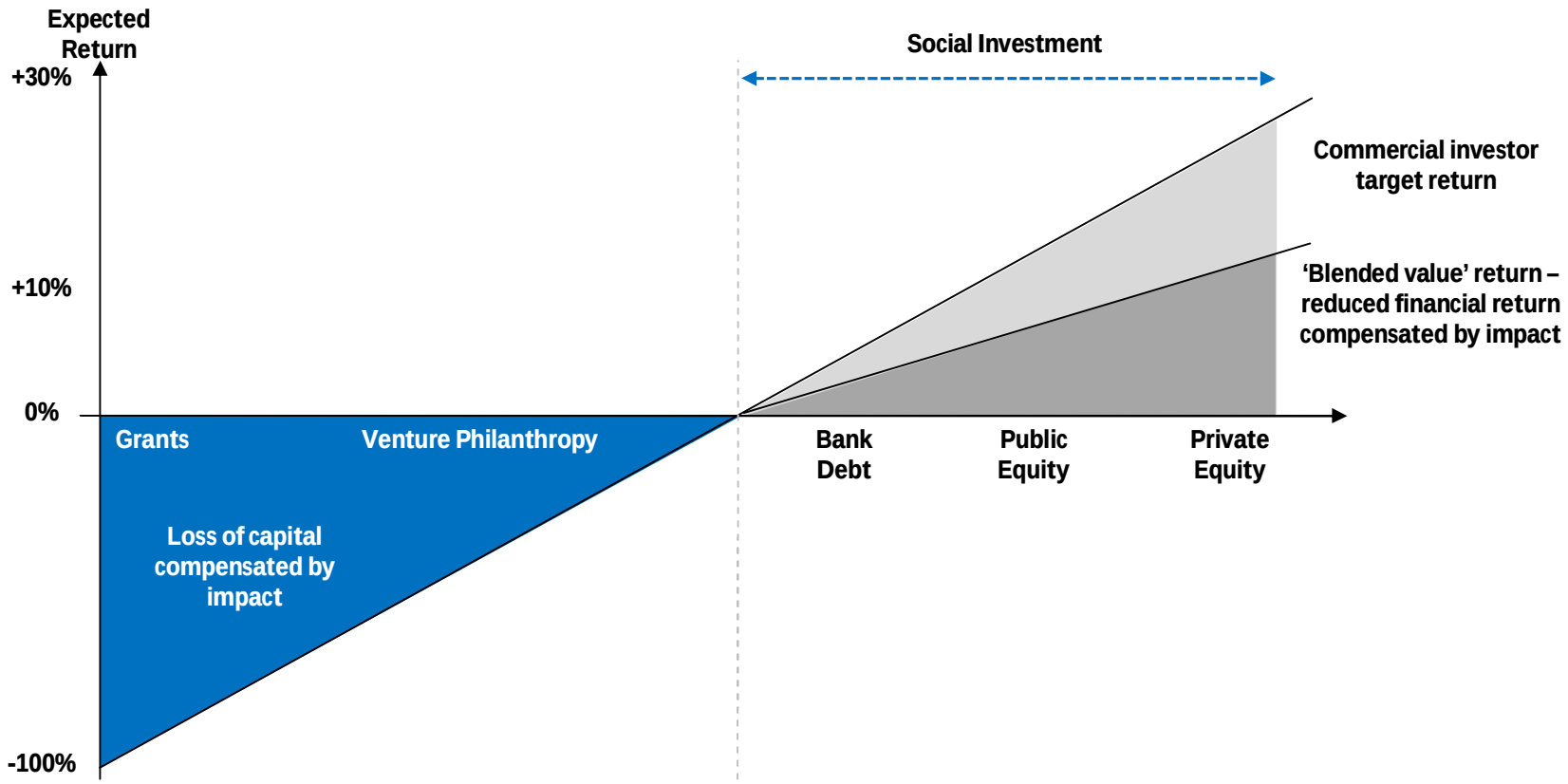
Social investment involves actively making investments in organisations and funds that generate social and / or environmental good. Social investment generates a range of financial returns for investors, from return of capital to market rate.



ILLUSTRATIVE

Why social investment? Investees

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Social investment can take a variety of forms including loans, equity, revenue participation, underwriting, etc. For social purpose organisations with a revenue stream – either from service users or service / outcome delivery contracts – social investment can support effective service delivery in a number of ways.

- **Asset purchase –** property, vehicles, etc.
- **Working capital** – underpinning cash flow
- **Development capital** – investment in organisational capacity (systems and / or expertise) or new initiatives

The management expertise of investors can also be of benefit to investees.

Why social investment? Investors

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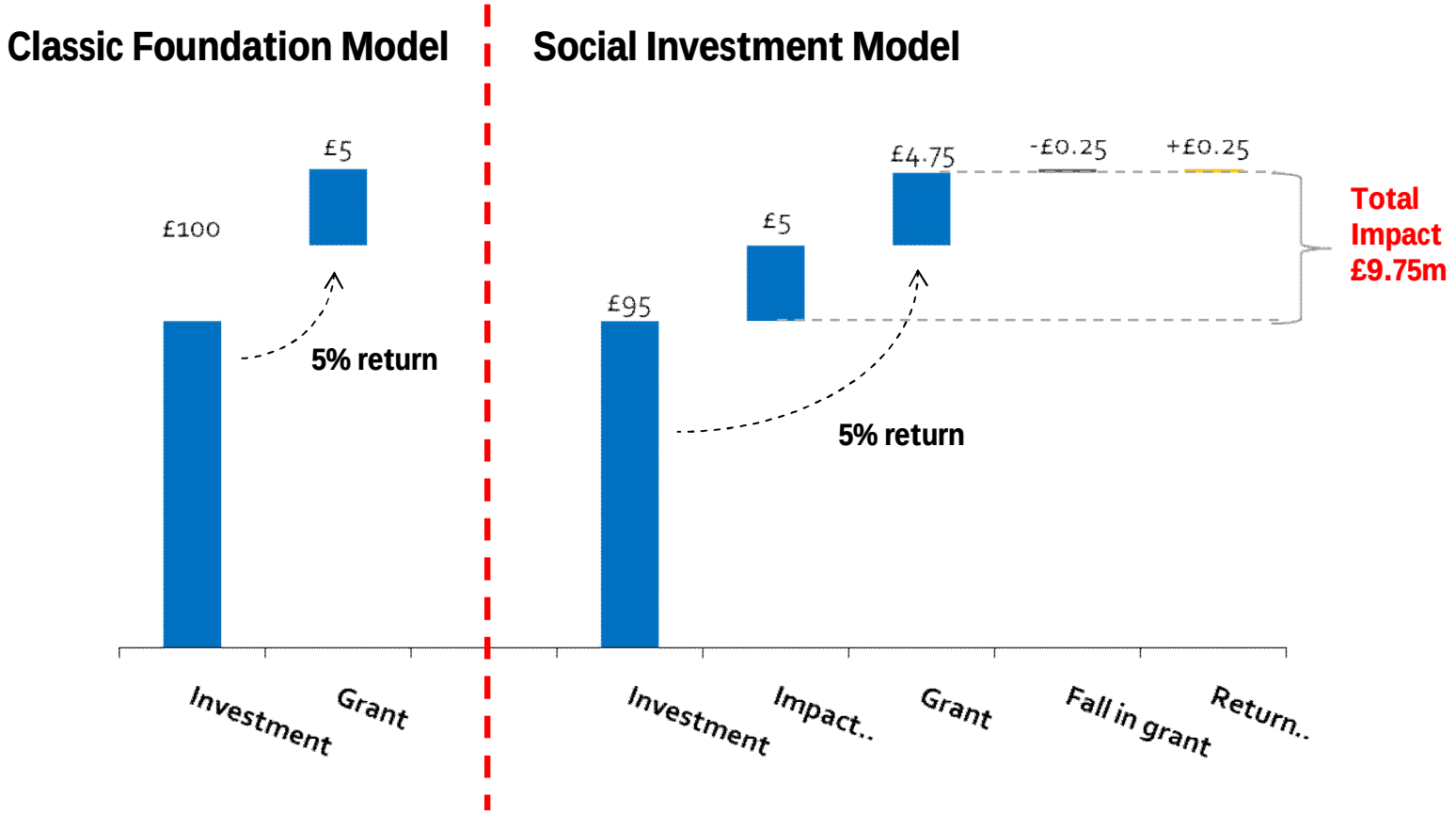
Social investment offers investors a way to multiply their impact focused funding.



Examples of Social Investment

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Total social investment in the UK last year was small – c. £200 million - but growing.

Examples of social investments include:

- **HCT Group**
- **East Lancs Moneyline**
- **KIDS**
- **Alt Valley Community Trust**

Sources of funding

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Financial need	Examples of suppliers	Type of finance
Fixed assets (buildings/equipment)	Barclays Bank Charity Bank The Royal Bank of Scotland Triodos Bank	Secured loan (mortgage)
		Overdraft or standby facilities
Working capital (short-term cash flow)	Big Issue Invest CAF Venturesome	Unsecured loans
Working capital (longer-term cash flow)	Big Issue Invest CAF Venturesome	Patient capital (long-term loans)
Growth capital (start-up and expansion)	Bridges Ventures CAF Venturesome Social Finance	Quasi-equity
	Bridges Ventures CAF Venturesome Communitybuilders	Equity
Various	The Baring Foundation Esmée Fairbairn Foundation	Grant

The Big Society Bank will support intermediaries with c. £400 million unclaimed assets and £200 million from retail banks

New funds which have recently launched include the Social Business Trust and the Big Venture Challenge.

Considerations for new employee mutuals looking for social finance

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Opportunities

- An initial contract
- An established organisation
- Assets
- Scope for raising productively
- Scope for growth

Challenges

- Expected financial return
- Demonstrating impact
- Risk, particularly for new start ups
- Ownership structure and governance

Contacts

Ben Jupp, Director

ben.jupp@socialfinance.org.uk

Social Finance

131-151 Great Titchfield St

London

W1W 5BB

Tel. 020 7667 6393