

ANNUAL REVIEW

2015



THE FACTS AND FACES  
BEHIND SOCIAL INVESTMENT

We were set up to help ensure that these charities and social enterprises are able to find appropriate and affordable repayable finance to meet their needs.

**2. We act as a champion**  
to help increase  
awareness of, and  
confidence in, social  
investment.

## 1



## MESSAGE FROM THE CHAIR

**It has been yet another important year for Big Society Capital and the development of social investment. We know that at the end of 2015, social investment in the UK was worth more than £1.5 billion and is being used to improve society by over 3,000 charities and social enterprises.**

But social investment is not just about numbers. It is about people – people who are using social investment as a tool to help their organisations do more; people who are investing their money for social impact; and the people whose lives are made better by the work of charities and social enterprises. This is the theme you will see in this year's annual review. We won't just be reporting our figures, but through a combination of understandable data and personal stories, we want to show you how and why the funding we help provide is changing the lives of people through the work of the charities and social enterprises that we are supporting with this investment.

An important topic for us in 2015 has been transparency. It is one of our founding principles, but we knew we needed to do more – both to make it easier for others to understand and scrutinise our work, and also to build understanding and trust of social investment. We were pleased to have so many of you engage with us during our open conversation on transparency. We are now responding to what we heard, publishing more data about our investments, refreshing our website and committing to new activities such as an annual open town hall event, where everyone will be welcome to come and discuss our future strategy with the Board, the first of which will take place this autumn.

Our team has led some great initiatives this year to engage even more people in social investment. These include the GET IT campaign to build understanding of Social Investment Tax Relief (see pages 17 and 31); and our Business Impact Challenge, won by an innovative

collaboration between Interserve, Catch 22 and ClubFinance (see page 36) to support young people in Liverpool.

Momentum in our own investment portfolio has been positive. By the end of 2015, £68 million had been drawn-down by intermediaries from Big Society Capital. This is nearly double the amount at the end of 2014. We believe this is a strong indicator that if we can continue to make social investment more widely available and appropriate, charities and social enterprises will want to use it. It has also been heartening to see the level of co-investment from a broad range of investors alongside Big Society Capital's money – an additional £127 million has been drawn from co-investors, taking the total amount being used to support charities and social enterprises to £195 million.

None of this could have been possible without the commitment and focus of our talented team, my colleagues on the Board and all of our partners. I would like to thank them all for everything they have contributed to the development of social investment.

Finally, this year saw our founding CEO Nick O'Donohoe step down. He has done an extraordinary job in setting up this organisation, creating both the infrastructure and the vision. I would like to thank him on behalf of everyone at Big Society Capital, for his enormous contribution. Taking up the helm is Cliff Prior, who joined us in March 2016. Cliff has had a long and distinguished career in the charity and social enterprise space, as well as being a long-term supporter of social investment. We are delighted to have him join us to spearhead the next phase of our journey.

Harvey McGrath



## CEO'S STATEMENT

**Our job at Big Society Capital is to make sure that charities and social enterprises can get the investment they need to do more of their fantastic work. My job is to lead the team in making that happen.**

It is an exceptional team and I would like to thank my predecessor Nick O'Donohoe and his colleagues for building this organisation to the point where it is able to effectively deliver for social benefit, both as an investor and to develop social investment more widely.

We are at a pivotal point, as we move from the start-up phase of Big Society Capital, to being fully staffed and with the systems and capacity we need. We have supported over 30 intermediaries, covering loans to small and medium-sized charities and social enterprises, innovation, public participation, and getting to scale. In turn they have provided social investment into over 270 charities and social enterprises. I have started visiting them, and their stories of how much more they can do to enable some of the most vulnerable people in our society are truly powerful. At the same time, many speak of how difficult a journey it has been.

I come in to Big Society Capital after nearly 40 years of work in the social sector – from community to public service organisations, start-ups to big scale, across almost every sector of social endeavour. I have experienced the trials and tribulations of running charities and social enterprises, as well as the breakthroughs and successes.

**We have supported over 30 intermediaries, covering loans to small and medium-sized charities and social enterprises, innovation, public participation, and getting to scale.**

From this experience, I see three areas where we can focus. Firstly, we need to start from the social issues and the organisations trying to tackle them, working from the ground up to see where and how social investment can play a part. Secondly, we need to get more people involved in social investment to support the issues they care about. And thirdly, we need to support charities and social enterprises to move from simple awareness of social investment to an understanding of when and how it might work for them.

Our team and the intermediaries are refining the tools of social investment and innovating to provide opportunities to new areas of social benefit. We have collaborated with others in the sector to achieve a supportive tax regime and regulatory systems which will enable more progress, as well as starting to open up transparency which can make that progress go faster.

We are open for business. Our team members are asking the question: "How can we make this work with you?" We are developing new approaches and a style and tone of work which can make social investment more accessible and relevant.

There is far more to do, far more to be achieved. We are on the road – perhaps a winding road – to the point where social investment can be a valuable, understood and accessible tool in the toolbox of every charity or social enterprise leader, alongside fundraising, trading and volunteering. One more tool, and maybe the one that will really make our ambitions for a better society come true.

I look forward to working in partnership with the intermediaries, investors and foundations, the charities and social enterprises, who can make all this possible.

Cliff Prior

OUR SOCIAL IMPACT

ACHIEVING  
OUR  
ULTIMATE  
GOAL

Over 270 charities and social enterprises have been able to access the finance they need because of our investments. These organisations work with some of our most challenging social issues, making a difference to the lives of vulnerable and disadvantaged people across the UK.

Our impact report this year includes highlights of the social impact being achieved with finance from Big Society Capital, co-investors and deals arranged by intermediaries funded by Big Society Capital. It also outlines further opportunities and challenges for social investment across social issue areas.

What do we mean by social impact?

We define social impact as being anything extra that charities and social enterprises can now deliver for social benefit as a result of taking on social investment.

The number of charities and social enterprises using social investment to support specific beneficiary groups.

Homeless people	10
People living in poverty or financial exclusion	27
Older people	12
People living with long-term health conditions	15
People with mental health needs	9
People with physical disabilities	5
People with learning disabilities	2
People who are unemployed	10
Vulnerable young people	32
Vulnerable children	14
Victims of crime	1
Ex-offenders	2
Multiple groups	137

All the numbers in this section refer to finance from Big Society Capital, co-investors and deals arranged by intermediaries funded by Big Society Capital.



## OUR SOCIAL IMPACT IN CITIZENSHIP AND COMMUNITY



Local people are best placed to develop solutions to local problems. But the current economic climate makes this hard. Social investment is helping communities find new ways to access capital, such as using community shares to buy assets or providing capital for growth.

The ability of communities to create value through renewable energy projects has been challenged by recent policy changes. We will work with others to determine what is viable for community energy in the future.

Criminal justice is undergoing significant reform which could lead to opportunities to support organisations in areas such as prevention and rehabilitation.

### IMPACT IN NUMBERS 2015

49

Total number of charities and social enterprises that have raised investment.

£32.1m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**250,000 people** are benefiting from community energy projects, such as Southmead Development Trust's Greenway Centre (a healthy living centre, social enterprise hub and community centre) which received investment from Pure Leapfrog's Community Energy Fund to install solar panels on its roof to reduce costs and generate income.

**1.77 million** passenger trips for community groups and disadvantaged people have been provided by community transport social enterprise HCT, which received investment from the FSE Group and Big Issue Invest. HCT uses commercial contracts to pay for its community transport.

**10 social justice organisations** now have high quality, affordable office space in the Foundry in London, which was built using finance from a range of social investors.

[www.bigsocietycapital.com/social-issues/communities](http://www.bigsocietycapital.com/social-issues/communities)



[www.bigsocietycapital.com/social-issues/criminal-justice](http://www.bigsocietycapital.com/social-issues/criminal-justice)

## OUR SOCIAL IMPACT IN INCOME AND FINANCIAL INCLUSION



Seven million people use high cost credit options, such as 'pay day' loans. Around two million adults in the UK don't have a bank account. Not-for-profit community lenders, such as credit unions and community development finance institutions, are part of the solution, providing consumers with access to financial services. New models, including challenger banks, specialised credit providers and financial technology (fintech) solutions are emerging to better meet the needs of low income consumers.

Our current investments are supporting a small group of community lenders. But there is more we can do to help emerging models and to develop dedicated funds.

### IMPACT IN NUMBERS 2015

10

Total number of charities and social enterprises that have raised investment.

£12.1m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**17,000 loans** were made by community lender Moneyline to low income households in 2015, through finance received to scale from Big Issue Invest and the FSE Group.

**65% of customers** agree that having a digital current account with Ffreess is helping them to manage their money. Ffreess was supported by investment from Nesta Impact Investments.



[www.bigsocietycapital.com/social-issues/income-and-financial-inclusion](http://www.bigsocietycapital.com/social-issues/income-and-financial-inclusion)

## Tackling social isolation in the community

Local communities have the power to change lives. That's what community voluntary organisation, CLARE (Creative Local Action, Responses and Engagement), believes. CLARE was set up in North Belfast to address social isolation and improve health and wellbeing. It connects vulnerable adults and older people with existing support services and resources so they can manage their own care and stay independent. Drawing on skills already in the local community CLARE finds and trains volunteers to become befrienders and help people with practical tasks at home.

- **£150,000 investment made by Developing Empowering Resources in Communities (DERiC)**, which received investment from Big Society Capital in 2014, demonstrating how low level community support can create savings across health and social care budgets, with revenue generated from statutory agencies.
- **55 adults and older people have been supported by the programme.** Older people reported a significant increase in positivity, feeling connected, ability to care for oneself and feeling safe.
- **34 local Community Champion volunteers have delivered over 700 hours of volunteer support.**

Everyone is thoughtful of my feelings and treated my problem with sincere interest and with a view to my wellbeing always in mind.

85-YEAR-OLD CLARE BENEFICIARY

It gives us, the community, an opportunity to come up with a solution. If we can monitor that and demonstrate that we can make use of money in a better way and achieve better outcomes for the individual, for the community and for the ways services are shaped and delivered, that's a good thing.

LAURA FEENEY  
CLARE PROGRAMME MANAGER



The Public Health Agency is keen to explore new ways of working with communities in order to improve health and wellbeing and target inequalities in health. This programme shows the benefits that are possible when we work in partnership and harness the energy, skills and neighbourliness of local people.

JULIE ERSKINE ACTING CHAIR, PUBLIC HEALTH AUTHORITY



# 4,000



**ThinkForward**  
Social Impact Bond  
Department for  
Work and Pensions  
Innovation Fund

**PUPILS WHO WERE AT HIGH RISK OF DROPPING OUT OF EDUCATION** HAVE IMPROVED THEIR BEHAVIOUR AT SCHOOL AFTER TAKING PART IN PROGRAMMES DELIVERED BY CHARITIES AND FINANCED THROUGH SOCIAL IMPACT BONDS. INVESTORS WERE REPAID FROM SAVINGS TO THE PUBLIC PURSE

## OUR SOCIAL IMPACT IN EMPLOYMENT, TRAINING AND EDUCATION



Education plays a fundamental role in young people's lives, influencing their opportunities now and in the future. But the attainment gap for pupils from less advantaged backgrounds remains huge.

Having a stable job can be critical to people, affecting everything from their health to family relationships. Yet over half a million people in the UK have been unemployed for more than a year.

Social investment is helping to reduce the educational attainment gap and tackle long-term unemployment, and there are more opportunities in areas such as widening participation in higher education. But the changing policy context and high costs of some interventions create significant challenges.

### IMPACT IN NUMBERS 2015

# 90

Total number of charities and social enterprises that have raised investment.

# £38.7m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**979 people** have been supported to find jobs through schemes such as K10, which took investment from Impact Ventures UK to grow its social business supporting apprentices in the construction industry.

**194,000 people registered to use 'Get My First Job'** which received finance from Nesta Impact Investments to grow its business supporting young people into employment.

[www.bigsocietycapital.com/social-issues/employment-and-training](http://www.bigsocietycapital.com/social-issues/employment-and-training)



[www.bigsocietycapital.com/social-issues/education](http://www.bigsocietycapital.com/social-issues/education)

## OUR SOCIAL IMPACT IN PHYSICAL HEALTH



An ageing population, more people living with long-term health conditions, and an increase in social isolation mean there's an ever growing demand on the NHS and other support services. Social investment is helping organisations to develop new approaches to improve health and wellbeing.

Social investment is supporting the NHS by helping to move spending from acute care to prevention. It is also helping healthcare providers in the community to deliver more. However, the current environment makes it challenging for new social providers to successfully enter the market, and with many social enterprise healthcare providers operating with small margins, it is difficult to take on the risk to invest in growth.

### IMPACT IN NUMBERS 2015

# 22

Total number of charities and social enterprises that have raised investment.

# £10.9m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**34,000 patients** are supported by Chime, which runs hearing clinics for the NHS in the community. Social and Sustainable Capital invested in Chime to help renovate its building and improve its services paid for by the NHS and private patients.

**278,200 older people** in care settings took part in Oomph! classes, which helped improve their health and wellbeing. Oomph! received growth finance from Nesta Impact Investments to scale its model across the UK.

**676 people with long-term health conditions** have benefited from "social prescriptions" to improve their health and wellbeing as part of the Ways to Wellness Social Impact Bond, which received investment from the Bridges Social Impact Bond Fund. Investors will be repaid based on long-term savings from the reduction in the use of hospital services.



[www.bigsocietycapital.com/social-issues/health-and-social-care](http://www.bigsocietycapital.com/social-issues/health-and-social-care)

## OUR SOCIAL IMPACT IN MENTAL HEALTH AND WELLBEING



One in four people experience mental health problems. Nine out of 10 will experience stigma and discrimination. The health service is under severe strain and a lack of resources means people are not receiving the support they need. Social investment is helping charities and social enterprises to reduce isolation and improve mental health. New models of support are emerging including technology to support people with mental health conditions and dementia.

### IMPACT IN NUMBERS 2015

# 18

Total number of charities and social enterprises that have raised investment.

# £14.9m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**17,400 people** registered with Big White Wall, which offers online mental health support, paid for by subscriptions. It received investment from Impact Ventures UK.

**122 vulnerable older people** have taken part in activities to reduce loneliness as part of the Reconnections Social Impact Bond, which received investment from the Care and Wellbeing Fund and Nesta Impact Investments with the aim of reducing demand on health and social services.



[www.bigsocietycapital.com/social-issues/health-and-social-care](http://www.bigsocietycapital.com/social-issues/health-and-social-care)

## OUR SOCIAL IMPACT IN HOUSING AND LOCAL FACILITIES

The UK is facing a housing crisis. The number of rough sleepers and families living in overcrowded, unsuitable and insecure accommodation is rising. There is not enough affordable housing to meet this growing need. Social investment is helping charities and social enterprises to provide more homes for people who are homeless or living in poverty. Community-led housing is an emerging source of new homes for people on low incomes, which is often financed through development loans and community shares, with grants also playing a critical role.

### IMPACT IN NUMBERS 2015

# 45

Total number of charities and social enterprises that have raised investment.

# £99.5m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**425 affordable homes** have been made available through funds including Real Lettings (a partnership between Resonance and St Mungo's Broadway) and the Affordable Homes Rental Fund.

**98% of tenants** who live in flats purchased by Real Lettings have sustained their tenancy for more than six months. The model is now being scaled by Resonance through the National Homelessness Property Fund.

**900 homeless young people** are being supported into sustainable accommodation, employment or training as part of the Fair Chance Fund, which has received investment from the Bridges Social Impact Bond Fund.



[www.bigsocietycapital.com/  
social-issues/housing-and-  
local-facilities](http://www.bigsocietycapital.com/social-issues/housing-and-local-facilities)



### Homes for Good

When you're vulnerable, finding a happy secure home can be life-changing. But in some of the most deprived areas in the UK, such as the north and east of Glasgow, it can be almost impossible. In these areas, poor quality housing and landlord services in the private rented sector are common, making it very difficult to find somewhere decent and affordable to live.

That's where Homes for Good comes in. Using social investment to buy and refurbish properties, Homes for Good then rents them to vulnerable people on lower incomes who would otherwise struggle to find a happy, secure home.

- **£2 million investment** from Impact Ventures UK and £2 million loan from Charity Bank, both of which have received investment from Big Society Capital. Rental income is used to repay the investments.
- **124 people have been housed** since the investment, of which 53% have had a history of homelessness and 33% have mental health issues.
- **One in three tenants** have received intense support for crisis situations such as debt and health issues.

I wanted to show that you can have a commercially viable business that was given funds for investment, but keep a strong social impact. The banks felt that because we have tenants on housing benefit that was a high risk. Which is why we went for social investment. We're now starting to think what we could do that in a bigger way in other parts of the UK. We want to have the maximum social impact we can.

**SUSAN AKTEMEL** CEO, HOMES FOR GOOD

One letting agency hung up on me when I told them I was on benefits. I felt there was no way forward until Homes for Good.

**MARILYN** HOMES FOR GOOD TENANT

We made the investment because the initiative has deep social impact, a sustainable business model and a backable entrepreneur with the right blend of skills and motivations.

**CHRIS HUNTER** INVESTMENT MANAGER, IMPACT VENTURES UK



[www.bigsocietycapital.com/what-we-do/investor/case-studies/homes-good](http://www.bigsocietycapital.com/what-we-do/investor/case-studies/homes-good)

## Supporting children's services

Aggression, antisocial behaviour and family breakdown. These are just a few of the reasons young people end up in care. In Essex a high number of children aged 11-16 are in care or on the edge of care. Being away from their families can have a negative impact on their wellbeing and education, and in some cases can lead to crime. Action for Children is changing the future of these young people thanks to social investment.

A social impact bond, developed by Social Finance and Essex County Council, is funding Action for Children's programme to help young people remain out of care and safely at home with their families. It has paid for two Multi Systemic Therapy (MST) teams, which provide intensive support to families at home to improve parenting and rebuild positive relationships.

- **Big Society Capital invested £825,000.**
- **200 families have received early intervention support** so far to build resilience, skills and confidence and help turn their lives around.
- **46,405 care days have been saved** that would have been paid for by the local authority.

The social impact bond has enabled us to develop new areas of work which would otherwise have not been possible. In Essex we are using MST to support families which helps them to take responsibility and give them the skills they need to improve their lives. So far the changes we have seen are startling.

**STEPHEN SIPPLE** OPERATIONAL DIRECTOR, ACTION FOR CHILDREN

We have been encouraged by the performance of the Essex Social Impact Bond. We look forward to seeing the final performance data once the full five-year programme of service delivery and subsequent outcome measurement is completed.

**LISA BARCLAY** DIRECTOR, SOCIAL FINANCE

The situation with Amber and myself was chaotic. She used to go out at night and I didn't know where she was. She used to lose her temper violently. Our social worker suggested MST. When we first started putting the interventions in place, it caused more ructions. But that's when the therapist steps in and they keep you on track and keep reassuring you that things will get better. And they did.

**SHARON** PARENT SUPPORTED BY MST IN ESSEX

[www.bigsocietycapital.com/what-we-do/investor/case-studies/essexsib](http://www.bigsocietycapital.com/what-we-do/investor/case-studies/essexsib)

## OUR SOCIAL IMPACT IN FAMILIES, FRIENDS AND RELATIONSHIPS



Families, friends and relationships can be affected by a wide range of issues including abuse, isolation, mental illness, caring responsibilities and family breakdown. Social investment is helping organisations to support families and avoid young people going into care, deliver effective childcare and reduce isolation. Social investment could do more to support preventative approaches, but this is challenging when it cuts across so many public sector agencies, at the same time as their budgets are cut.

### IMPACT IN NUMBERS 2015

13

Total number of charities and social enterprises that have raised investment.

£7.7m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**100,000 families a year** access childcare and support from 4Children, which received investment to scale up from the FSE Social Impact Accelerator.

**36 nurseries** are now run by the London Early Years Foundation, which received growth capital from Big Issue Invest and the Bridges Social Entrepreneurs Fund.



[www.bigsocietycapital.com/social-issues/family-friends-and-relationships](http://www.bigsocietycapital.com/social-issues/family-friends-and-relationships)

## OUR SOCIAL IMPACT IN CONSERVATION OF THE NATURAL ENVIRONMENT



Access to a healthy natural environment can have a positive impact on community cohesion and physical and mental health. But deprived areas are more likely to have more challenging environmental conditions. We focus on environmental initiatives that are the most difficult to fund and that deliver measurable social impact. However, it can be difficult to find sustainable revenue models and there is still a relatively underdeveloped evidence base connecting social and environmental outcomes.

### IMPACT IN NUMBERS 2015

12

Total number of charities and social enterprises that have raised investment.

£6m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**16,698 tonnes of lifetime carbon reduction** has been achieved through schemes supported by Pure Leapfrog's Community Energy Fund, such as community owned solar power installation Chelworth Solar Array.

**18kg of carbon reductions** for every £1 lent out through schemes supported by Pure Leapfrog's Community Energy Fund.



[www.bigsocietycapital.com/social-issues/conservation-natural-environment](http://www.bigsocietycapital.com/social-issues/conservation-natural-environment)

## OUR SOCIAL IMPACT IN ARTS, HERITAGE, SPORT AND FAITH



Arts, heritage, sport and faith can improve health and wellbeing, and strengthen community links. We want to support interventions that improve availability and access for everyone. But with cuts to government funding for culture and recreation, there's a need to develop innovative business models and gather better evidence of impact.

### IMPACT IN NUMBERS 2015

17

Total number of charities and social enterprises that have raised investment.

£3m

Total amount drawn down by charities and social enterprises.

### FOR EXAMPLE

**10,000 visitors to arts, cultural and heritage sites** such as the Framework Knitters Museum in Nottingham, which received a loan from Charity Bank to purchase a building and expand its educational activities.

**1.7 million visitors** to the London Aquatics Centre at the former 2012 Olympic site, now run by Greenwich Leisure Limited, which raised capital through issuing a £5 million charity bond.



[www.bigsocietycapital.com/social-issues/arts-heritage-sport-and-faith](http://www.bigsocietycapital.com/social-issues/arts-heritage-sport-and-faith)

HOW THE SOCIAL INVESTMENT  
MARKET IS DEVELOPING

# THE BIGGER PICTURE

SECTION

2



**Shared Lives**  
which is supported  
by Social Finance

Social Investment in the UK  
was worth at least **£1.5 billion**  
by the end of 2015.

Over **3,000 charities and social  
enterprises** are benefiting from  
social investment today.

**The key data in this section is for the whole of the UK,  
not just investments that involved Big Society Capital.**

## SMALL AND MEDIUM-SIZED CHARITIES

We want to see a social investment market where charities and social enterprises can access basic financial products to help them achieve their aims.

**Social bank lending (mainly secured loans) was worth £545 million at the end of 2015, spread across at least 1,200 loans.** This was mostly funded by people who want to deposit their money in a way that contributes to the common good.

- Charity Bank has approved over 120 new loans to charities and social enterprises since we invested in March 2014.

**Non-bank lending (mainly unsecured loans) was worth £158 million at the end of 2015, spread across over 850 investments.** This came from organisations ranging from specialist lending funds to responsible finance providers.

- Key Fund made over 200 loans during 2015 in the North of England and the Midlands.

**A number of initiatives were launched that blend grants with loan finance.**

- The £45 million Growth Fund managed by Access – The Foundation for Social Investment (see page 37) will focus on unsecured loans under £150,000.
- The £7 million Arts Impact Fund brings together investment from the Arts Council England, Esmée Fairbairn Foundation, NESTA and Bank of America Merrill Lynch.

**Advice and support remains vital for organisations on the path to investment.**

- Half of organisations that received support from the Cabinet Office's Investment and Contract Readiness Fund (managed by the Social Investment Business) have gone on to win contracts or secure investment.
- Big Lottery Fund expanded its grant support to organisations looking to raise social investment by £10 million with the launch of Big Potential Advanced.

## MASS PARTICIPATION

We want social investment to provide the opportunity for people and communities to engage and invest in the causes they care about.

**The first ten Social Investment Tax Relief (SITR)-enabled investments amounted to around £1 million.**

- Three SITR funds have now been launched.
- We ran a campaign (GET SITR) to promote awareness and understanding of this model and continue to advocate for the maximum level of SITR to be raised.

**Blended capital is likely to be important for smaller community businesses.**

- Three blended funding pilots to support community businesses have been launched by Power to Change using a £150 million Big Lottery Fund endowment.

**Community shares were worth £96 million at the end of 2015, spread across over 350 different investments.**

- We worked with the community energy sector to call on Government to continue to support communities in developing renewable energy schemes that benefit local people.
- Community energy accounted for 71% of community share issues in 2015. This is likely to reduce following changes to incentives for renewable energy, which will not include support for community organisations.

**Crowdfunding and peer-to-peer lending continues to grow in the wider market.**

- £16 million of social investment was raised via Ethex's platform.

## FREEDOM BAKERY

Social entrepreneur Matt Fountain had a mission. He wanted to tackle the problem of prisoners reoffending. So he decided to set up a bakery in a prison near Glasgow to offer inmates skills and experience.

Needing start-up finance, Matt became one of the first social entrepreneurs to use Social Investment Tax Relief (SITR), raising £48,000 from seven investors.

Matt is now sharing his experience with other social entrepreneurs. He's supporting our GET SITR campaign and writing his own guide to SITR.

**"One of the ways to address reoffending is through employability, so I set about translating a traditional business model and applying it in a prison setting where everyone who is working there is also training. Everything they produce is going out to be sold to pay for the training that we're giving them on the job."**

**MATT FOUNTAIN**  
FOUNDER, FREEDOM BAKERY

**"I've happily invested £10,000 in the Freedom Bakery. Of that, I get £3,000 back from my tax."**

The bread is of great interest to me as a restaurateur. I really look forward to putting on my menu 'Bread provided by the Freedom Bakery'. I like to feel passionate about things. And I feel passionate about this."

**CHARLES BOYD**  
RESTAURATEUR

# THERA TRUST



People with a learning disability and very complex support needs often have difficulty finding the adapted properties they need. Many find themselves living in unsuitable accommodation or institutions, or with elderly parents or carers who struggle to cope.

THERA, which supports people with a learning disability, wanted to make more stable, bespoke and long-term accommodation available.

Advised by the corporate finance team at Triodos Bank, THERA raised £2 million for working capital through an unlisted charity bond, attracting over 200 individual investors, as well as institutional investors such as Rathbones.

"I get up when I like, go to bed when I like, have meals when I like. My whole world has changed and I am a very happy person!"

**TYRONE** WHO IS SUPPORTED BY THERA, AND RECENTLY MOVED INTO HIS OWN HOUSE

"We've been greatly heartened by investor interest in supporting us to enable people with a learning disability to lead the life that they choose, developing their independence and their presence in the communities in which they live."

**SIMON CONWAY**  
DIRECTOR, THERA TRUST

## SOCIAL INNOVATION

We want to see a market where social investors provide a unique mix of capital and expertise that allows organisations with innovative solutions to grow and replicate.

**Social Impact Bonds (SIBs) had £14 million of investment in them at the end of 2015, spread across 18 different investments.** This is after several SIBs repaid investors in 2015.

- Our major activities in 2015 focused on: supporting Big Lottery Fund's Commissioning Better Outcomes Fund; making a case for the Life Chances Fund announced in the 2015 Spending Review; preparing for our request for proposals for a second Outcomes Fund; and preparations for the Government Outcomes Lab.

**Equity-like products were worth at least £32 million at the end of 2015, spread across more than 120 investments.**

- Our investment in Numbers for Good will help expand the advisory services available to charities and social enterprises seeking to raise growth capital.

- ClearlySo raised £31 million, taking its total capital raised to £100 million for over 75 businesses and funds.

**Early-stage investment in great new ideas remains crucial.**

- The Department of Health and Alzheimer's Research UK launched the £70 million Dementia Discovery Fund in 2015.
- Ten social incubators have provided capacity-building support to social start-ups, backed by the Cabinet Office's Social Incubator Fund. For example, Bethnal Green Ventures has invested in 68 tech for good ventures since 2012.

## SCALE

Some social change requires substantial investment, such as building new housing or tackling UK-wide healthcare challenges. We work with institutional investors and high volume intermediaries, and use public markets to make these investments happen.

**Charity bonds were worth £86 million across 18 bonds at the end of 2015.**

- In 2015, the Charity Bond market saw its busiest year to date, with £33 million capital raised by charities and social enterprises across five transactions.
- Examples include Hightown Praetorian and Churches Housing Association which developed more affordable and supported living accommodation, and Glasgow Together CIC, which trains ex-offenders in the construction industry.

**Social property products were worth £130 million at the end of 2015.**

- By the end of 2015 there were three funds with over £50 million of assets under management. 2015 also saw the replication of the Real Lettings fund nationally, with Resonance and St Mungo's launching the National Homelessness Property Fund.

**New investors continue to be attracted to the social property sector despite policy uncertainty.**

- Octopus Investments announced its intention to launch a new affordable housing joint venture with QSH in October.

## WHAT WE'VE DONE IN 2015

BIG SOCIETY  
CAPITAL'S  
ACTIVITIES  
AS AN  
INVESTOR

Many charities and social enterprises find it difficult to access the repayable finance they need to develop sustainable delivery models or grow their services. At Big Society Capital we invest in social investment intermediaries, which then invest in charities and social enterprises. Together we are tackling some of the toughest social issues in the UK.

As our investments are paid back we will then be able to make further investments, attracting additional co-investment, all supporting the creation of even more social impact over time.



[www.bigsocietycapital.com/what-we-do/investor](http://www.bigsocietycapital.com/what-we-do/investor)

We have three main criteria:

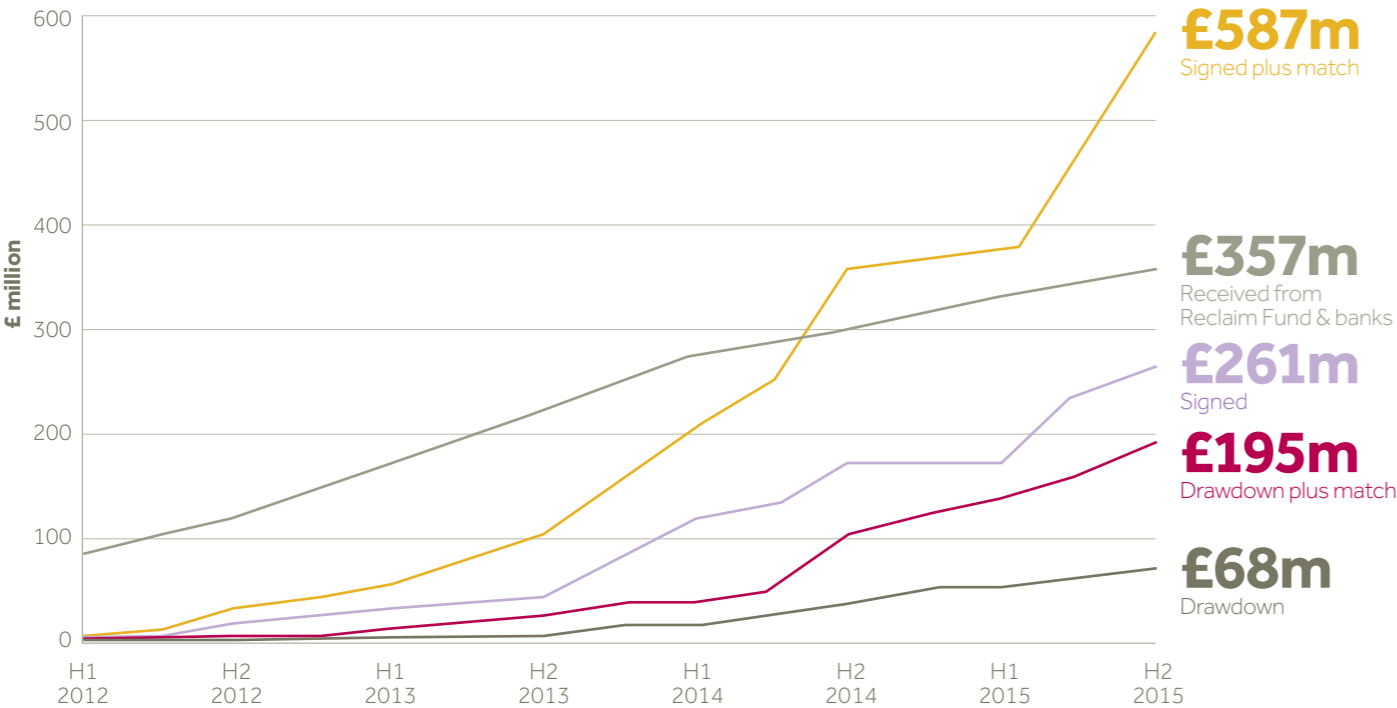
- 1 Social impact**  
We prioritise interventions and organisations that improve the lives of some of the most vulnerable and disadvantaged people in the UK.
- 2 Market development**  
We look for ideas that address gaps of demand as well as bring in new skills and sources of capital into social investment.
- 3 Financial sustainability**  
We focus on sustainable intermediaries and solutions that will achieve positive investment returns as we believe they will be able to attract the most co-investors and ultimately achieve the greatest systemic change.



**Core Assets**  
which received  
investment from  
Bridges Social  
Impact Bond Fund

IN 2015 WE...

OUR KPIS



MONEY AVAILABLE TO CHARITIES AND SOCIAL ENTERPRISES

£587m

Cumulative amount of investments signed by Big Society Capital and our co-investors:

Of this  
£261m  
Big Society Capital money

£326m  
from our co-investors

Across  
48  
different investments

MONEY REACHING CHARITIES AND SOCIAL ENTERPRISES

£195m

Cumulative amount drawn down from Big Society Capital and our co-investors:

Of this  
£68m  
Big Society Capital money

£127m  
from our co-investors

This is how the drawdown has been divided/used (we have based our calculations on Big Society Capital's drawdown):

PRODUCT TYPE

- 41% capital for charities and social enterprises through funds and social banks
- 39% property, mainly to help charitable service delivery
- 8% helping charities deliver services using Social Impact Bonds
- 7% management fees paid to intermediaries
- 5% capital for arrangers

ORGANISATIONAL FORM

- 77% asset-locked charities and social enterprises
- 11% non asset-locked social enterprises
- 7% management fees paid to intermediaries
- 5% capital for arrangers

CO-DEVELOPING SOCIAL INVESTMENTS

Partnering with co-investors and intermediaries in over half a billion pounds of new investments

£45m

Access Growth Fund launched targeting smaller loans up to £150,000

We have partnered with

90 INSTITUTIONAL CO-INVESTORS

CO-INVESTMENT:

We work alongside a diverse group of socially-motivated investors to develop proposals. You can read more about what we're doing on page 26.

6 Number of fund managers with social assets over £50m, versus 1 in 2013

2x For each £1 of our drawdown we have mobilised almost £2 of third-party investment

1000 HOURS

spent by our investment team working with corporates to develop proposals for the Business Impact Challenge

OUR MAJOR CATEGORIES OF CO-INVESTORS INCLUDE:

- 19% UK charities and foundations
- 18% UK Government agencies
- 2% UK funds
- 6% UK banks
- 3% Local authority pension funds
- 25% UK other
- 16% International
- 11% Social bank deposits

DRAWDOWN:

The amount of money reaching charities and social enterprises has increased significantly in the last year, and we expect to see further acceleration in 2016. The speed reflects our structure of investing via intermediaries, some of which we have helped establish. It can then take time for the intermediaries to build networks to find great charities and social enterprises to invest in.

£25m

Value of community projects supported by Resonance's Community Share Underwriting Fund

£33m

Money raised by Retail Charity Bonds in 2015

276

charities and social enterprises have accessed finance through our investments

CHARITIES AND SOCIAL ENTERPRISES USING SOCIAL INVESTMENT TO SUPPORT SOCIAL OUTCOMES

- Citizenship and community (18%)
- Income and financial inclusion (4%)
- Employment, training and education (33%)
- Physical health (8%)
- Arts, heritage, sport and faith (6%)
- Housing and local facilities (16%)
- Family, friends and relationships (5%)
- Conservation of the natural environment (4%)
- Mental health and wellbeing (6%)

COMING UP...

We are establishing new routes and networks to find

NON-EXECUTIVE DIRECTORS for social investments

We are working with the Cabinet Office to support the

SPARK SOCIAL INVESTMENT GROUP to develop potential models across government departments

# OUR INVESTMENTS THIS YEAR

## Small and medium-sized charities

Our investments increased the availability of unsecured loan finance to smaller charities and social enterprises by £40 million. We supported intermediaries with the relevant experience and networks both through direct investment or increased funds for lending.

We will measure success by the increased availability, accessibility and affordability of appropriate simple loan finance for smaller charities and social enterprises. We hope this will enable them to grow, measure and increase their social impact.

### Big Issue Invest Social Enterprise Fund II £15 million

Investment into first close of follow-on fund to:

- **support the intermediary by** increasing funds under management alongside co-investors such as HSBC and Joseph Rowntree Foundation.
- **impact charities and social enterprises by** providing £14 million of growth capital and up to £7 million of earlier stage finance.

The first applications were made to Access - The Foundation for Social Investment (see page 37).

## Mass Participation

We made fewer investments in this sector than we had anticipated due to changes to government incentives for renewable energy projects (see page 35).

However, there have been positive developments. Social and Sustainable Capital's partnership with Power to Change has resulted in new investments alongside grants into ambitious community enterprises such as Spacious Places Contact; and Resonance's Community Shares Underwriting Fund supported six community share issues in 2015.

Next year we hope to support crowdfunding platforms through our Crowd Match Fund, announced in 2015.

The main numbers on this page refer to Big Society Capital's investment commitment.

### Big Issue Invest £2 million

Revolving credit facility to:

- **support the intermediary by** enabling recycling of Regional Growth Fund loans.
- **impact charities and social enterprises by** increasing unsecured loans under £100,000 by £2 million.

### Charity Bank co-investment facility £10 million

Co-investment for loans over £2.5 million to:

- **support the intermediary by** enabling it to make loans which exceed its internal size limits, if other lenders do not fill the gap.
- **impact charities and social enterprises by** providing over £20 million of secured loans.

### Key Fund £600,000

Working capital to:

- **support the intermediary by** enabling them to maximise the number of loans made under ERDF.
- **impact charities and social enterprises by** increasing unsecured loans under £100,000 in the Midlands and North of England by £1.2 million.

### Pure Leapfrog Bridge Loan £15 million

Development finance for communities:

- **to encourage participation in social investment by** enabling communities to share in the ownership of commercially developed solar farm projects. Communities are expected to refinance the facility with community shares and senior debt.
- **impact will be measured by** total income provided to community groups and each community group reporting on at least one indicator to show how the community benefited.

## Social Innovation

Our investments supported charities, social enterprises and local commissioners developing innovative solutions to long-standing social problems. We also invested in intermediaries that provide advice and capacity building, as well as risk capital to test and replicate solutions that work.

We believe effective measurement of outcomes is particularly important to build the evidence for growing new approaches. Finding co-investors willing to take higher financial risk to achieve far-reaching social change also remains a challenge.

### Numbers for Good £250,000

Loan for growth and working capital:

- **to create change by** meeting growing demand for tailored and flexible investment readiness support.
- **using a business model of** growing into a sustainable organisation, with revenue from fees for advice.
- **success will be measured by** more money raised for innovative social enterprises.

## Scale

Charity bonds and social property gained traction this year. However, the Budget and Housing and Planning Bill created uncertainty around the business models of housing associations and made it more difficult for homeless and disability charities to provide homes.

Our increased commitment to the Charity Bond Support Fund and to social property acknowledged these challenges but also reflected the growing demand and opportunities to bring in significant co-investment: the £57 million Real Lettings Property Fund is now fully invested and Cheyne's Social Property Fund has committed £66 million and attracted new investors throughout the year.

Next year we will continue to work with charities and social enterprises bidding for large central and local government contracts, such as the Work and Health Programme, to ensure they have access to the large amounts of investment they may need.

### Care and Wellbeing Fund (Social Finance) £6 million

Investment matched with Macmillan Cancer Support:

- **to create change by** scaling innovative health and social care interventions that improve outcomes and value for money (see page 27).

### EBSI £350,000

Loan and equity investment:

- **to create change by** increasing the use of Local Authority-commissioned Social Impact Bonds (SIBs) to improve outcomes for children in or at the edge of care, and therefore reduce costs.
- **using a business model of** generating revenues from supporting an increasing number of SIBs using a standardised model.
- **success will be measured by** more SIBs commissioned using the model, and delivering better outcomes.

### Charity Bond Support Fund (Rathbones) £30 million (£10 million increase)

Backstop facility for new charity bond issues.

- **leveraging co-investment at** a minimum ratio of 2:1.

### National Homelessness Property Fund (Resonance) £15 million

Fund to help the Real Lettings Property Fund model replicate nationally.

- **leveraging co-investment of** £15 million from three local authorities: Milton Keynes, Bristol and Oxford.

### Funding Affordable Homes £15 million

Investing in new affordable homes by working in partnership with local housing associations and charities.

- **leveraging co-investment of** £30 million from European family offices and high net worth individuals.

## CO-DEVELOPING NEW IDEAS

As well as responding to proposals, we actively seek partners to work on addressing specific social issues and fill gaps where social investment isn't available. We start with an analysis of the social issue and work in close partnership with organisations that tackle these problems.

**Held roundtables with charities and social enterprises** to better understand their needs in areas such as housing for people with learning disabilities

**Participated in investment readiness programmes** including those are that sector-specific

**Commissioned research** into social issues and possible solutions

**Met with potential co-investors** to understand their requirements and objectives



[www.bigsocietycapital.com/what-we-do/investor/partner-us](http://www.bigsocietycapital.com/what-we-do/investor/partner-us)

Examples of key projects:

### Health & social care

- Supporting public sector primes in health and social care
- Catalyse new ways to shift spending away from acute services and into preventative services

### Education

- Growth capital for expansion of early years providers
- Widening participation in higher education, using payment by results

### Housing

- Property fund to provide more supported accommodation for learning disability charities
- Funding for community-led reuse of empty homes

### Financial inclusion

- Scoping a poverty premium fund

## PORTFOLIO MANAGEMENT

Effective management of our portfolio to build the social and financial performance, and sharing what we learn is an increasingly important part of what we do.

We work with intermediaries to measure and monitor the impact of their investments. We help them develop sustainable business models and provide support to build strong intermediaries, such as training programmes, recruitment, business development and impact reporting.

### Investments repaid this year

- Scope repaid in full the investment we made via Investing for Good.
- Department for Work and Pension's Innovation Fund Social Impact Bonds completed and are being repaid.

### What we have learned

With all investments there is always a chance that things won't go to plan and that the intermediaries or their investees won't achieve their financial ambitions or intended social impact.

These are some of the challenges we have experienced in 2015:

- **Slower pace of drawdown tests the viability of intermediaries** especially if they are smaller and starting up. This was the case for Franchising Works where the fund's slow deployment rate and high fixed costs meant the fund could not operate sustainably. This investment was closed in August 2015.
- **Changing policy environment can disrupt business models.** Examples of this during 2015 were the changes to the feed-in tariffs, social rents and reform of the adoption system.



[www.bigsocietycapital.com/what-we-do/investor/our-approach/portfolio-management](http://www.bigsocietycapital.com/what-we-do/investor/our-approach/portfolio-management)

## Working in partnership



By 2030 over 16 million people in the UK will be over 65. Over half of those over 70 will be living with long-term health conditions.

These predictions sit against the current backdrop of severely reduced spending on health and social care, with an estimated £30 billion funding gap expected by the end of the decade.

The Care and Wellbeing Fund is a £12 million partnership with Macmillan Cancer Support designed to address these challenges. All three organisations worked closely to design a 10-year fund that aims to develop high-quality services to improve health and wellbeing outcomes for vulnerable groups.

We believe investing in the Care and Wellbeing Fund can help create the kind of quality and personalised services that people affected by cancer so desperately need. Through our investment and expertise we will help drive innovation, seek to grow community-based provision and as a consequence, enable new sustainable services to be delivered that people can access when and where they need them.

**ALLAN COWIE** DIRECTOR OF SERVICE EXCELLENCE AND SUPPORT, MACMILLAN CANCER SUPPORT

This partnership is an important step forward for social investment, channeling the expertise and networks of a leading charity to unlock resources to tackle the growing challenges we face in supporting an ageing population. We want to partner with more organisations that bring strong networks and specialist knowledge of specific social issues, and hope that the Care and Wellbeing Fund is the first of many.

**NATASHA MALPANI** INVESTMENT DIRECTOR, BIG SOCIETY CAPITAL

Social Finance is delighted to be managing the Care and Wellbeing Fund. We will draw on the significant investment, analytical and healthcare expertise of the Social Finance team. We believe that socially-focused capital can unlock innovation and deliver real impact in the health and social care sector.

**CLODAGH WARDE** CARE AND WELLBEING FUND DIRECTOR, SOCIAL FINANCE



[www.bigsocietycapital.com/what-we-do/investor/investments/care-and-wellbeing-fund-social-finance](http://www.bigsocietycapital.com/what-we-do/investor/investments/care-and-wellbeing-fund-social-finance)

WHAT WE'VE DONE IN 2015

# BIG SOCIETY CAPITAL'S ACTIVITIES AS A MARKET CHAMPION



  
**Third Space  
Learning**  
which raised finance  
with support from  
ClearlySo

We act as a champion to  
help increase awareness  
of, and confidence in,  
social investment.

## ENGAGING CHARITIES AND SOCIAL ENTERPRISES

Every charity and social enterprise in the UK that has the potential to benefit from investment should be able to access appropriate finance and support to grow their positive impact on society.

We work to raise awareness, confidence and understanding of social investment so that social enterprises and charities can make informed choices about whether social investment is right for their organisation.

We aim to do this in three key ways:

1. Building navigation
2. Raising awareness
3. Our annual campaigns

Through a range of partnerships our team plays a key market champion role sharing information, best practice and key case studies across a number of communication channels.

**"As the representative body for over 500 homelessness charities it's been great to work with Big Society Capital to see how social investment can become part of the armoury that will help the sector focus on opportunities to work in new and different ways and ultimately become more sustainable."**

**MARK MCPHERSON** DIRECTOR OF STRATEGY PARTNERSHIP AND INNOVATION, HOMELESS LINK

### COMING UP...

We are supporting the development of [www.goodfinance.org.uk](http://www.goodfinance.org.uk) to make it easier for organisations to learn about the products and finance available.

[www.bigsocietycapital.com/what-we-do/champion/charity-social-enterprise-engagement](http://www.bigsocietycapital.com/what-we-do/champion/charity-social-enterprise-engagement)



## REACHING OUT, RAISING AWARENESS AND WORKING IN PARTNERSHIP

**4** KEY ISSUE FOCUSES



Working in partnership with sector, and starting from social issues **underlines our approach**

**70** social enterprises & charities met one to one

What we learn from charities and social enterprises **informs our investment approach**

**9** Big Society Capital events supported

e.g. supported living, homelessness, federated charities, Care and Support, Empty Homes, Trustees

Launched **GET IT Sitr Campaign**

**46** events presented

**19** of these events were outside London

**3400** estimated attendees

We are working with partners to develop informal **SOCIAL INVESTMENT NETWORKS** across the UK

We are working with a number of national partners with **ACCESS TO A DIVERSE RANGE** of charities and social enterprises

Connected with over **26** membership organisations

Supporting their work with members around social investment e.g. Working Capital SEYH, Social Finance Fair SEWM

**18** blog and opinion pieces

**MORE VOICES**

of experiences of charities and social enterprises in our engagement work



### YEAR HIGHLIGHTS

## TAX BREAKS FOR SOCIAL INVESTORS

Social Investment Tax Relief (SITR) is a new government tax relief for individuals who can receive a 30% tax break in return for investing. SITR was introduced with the hope of attracting new investors, patient capital, higher risk and lower cost debt (and equity) finance for the sector.

In 2015 we launched our first annual campaign 'GET IT', a free package of support which includes resources and information, expert advice and case studies to help increase awareness and use of SITR. In partnership with five key professional firms we are supporting the early adopters and the SITR trail blazers to share their learning and experiences with the sector.



SITR offered the community an opportunity to help save a local treasure.

**COLIN SEARING** DIRECTOR, CLEVEDON PIER

**250+** campaign subscribers

**10** SITR deals

**18** new resources (emails, guides, case studies, webinars and films)

**GET SITR**

[www.bigsocietycapital.com/GETIT](http://www.bigsocietycapital.com/GETIT)

## ENGAGING INVESTORS

Our goal is to increase funding for charities and social enterprises. We do this by engaging with existing and potential investors to raise awareness and understanding of the investment opportunities available. We also ensure that new funds and products understand the focus and needs of investors.

Our priorities for engaging with investors:

### INDIVIDUAL INVESTORS

We work with financial institutions and intermediaries with strong links to individual investors to raise awareness of social investment and showcase the range of investment products available.

### TRUSTS, CHARITIES AND FOUNDATIONS

We help trusts, charities and foundations learn how they can be social investors. We actively support those who are already making social investments to do more.

### INSTITUTIONAL INVESTORS

We help mainstream financial institutions learn more about social investment, how they can be social investors or create social investment products.

"Big Society Capital has worked hard to ensure that its relationships with trusts and foundations are both facilitative and flexible. The team are useful, helpful, collegial and doing a very good job. We look forward to continuing to work in partnership."

**SARA LLEWELLIN** CHIEF EXECUTIVE,  
BARROW CADBURY TRUST



[www.bigsocietycapital.com/  
what-we-do/champion/investor-  
engagement](http://www.bigsocietycapital.com/what-we-do/champion/investor-engagement)

## YEAR HIGHLIGHTS

### SOCIAL PENSIONS



We want to help establish social pension funds that enable the general public to make social investments through their pension choices. In 2015 we launched 'Good Pensions', a joint paper with the Social Market Foundation on why and how social pension funds should be introduced in the UK.

A social pension is a fund in which an individual can choose to invest part of their pension entitlements, which includes some social investment as part of their broader investment portfolio. It is likely to be invested in through an individual's defined contribution scheme.

The success of social investment funds in France sets a promising precedent for the UK. As long-term investors, new opportunities for improved diversification are always of interest. We've followed this project closely so far and look forward to continuing to provide input, sharing understanding about our membership and our perspective as institutional investors.

**PAUL TODD** HEAD OF INVESTMENT,  
NEST



[www.bigsocietycapital.com/SocialPensions](http://www.bigsocietycapital.com/SocialPensions)

## EXAMPLES OF WHAT'S BEEN ACHIEVED



**Worthstone**  
Social Investment  
Academy

# 150

### WEALTH ADVISERS

TOOK PART IN  
WORTHSTONE'S SOCIAL  
INVESTMENT ACADEMY,  
SPONSORED BY BIG  
SOCIETY CAPITAL

# 61

ANGELS

learned more about social investment through a Social Angels event sponsored by Big Society Capital

# 50

banks, fund managers and foundations have engaged with us on the next outcomes finance fund

# 3

Social Investment Tax Relief (SITR) funds supported by clients advised by wealth advisers

# 27%

of Tax Efficient Managers are developing SITR products in anticipation of the cap being lifted, according to a survey and roundtable we co-ran with Intelligent Partnership

# 21

EVENTS PRESENTED

# 13

mainstream asset managers responded to our request for a new manager with an impactful approach for our Treasury portfolio

# 3000

ESTIMATED ATTENDEES

# £100m

of social investments made available by members of the Social Impact Investors Group

Our membership of the Association of Charitable Foundations and the Social Impact Investing Group is core to our engagement with Trusts and Foundations.

# 15

Pension Fund Managers, consultants and auto enrolment providers have helped us in the development of our thinking on the viability of a social pension offering in the UK

## OUR SOCIAL IMPACT APPROACH

We want charities and social enterprises to be able to access appropriate investment which helps them grow their capacity to make a difference to the lives of vulnerable and disadvantaged people in the UK.

Impact evidence drives everything we do. It informs our investment decisions, it enables us to understand and improve approaches for delivering social change and it helps us showcase the potential of social investment to help grow the market.

This year we have updated our social impact action plan, which focuses on four key areas:

### 1. DELIVERING IMPACT

**10 GROUPS SET UP**

to explore how social investment can address social issues and support our work in developing investment opportunities

**7 more reports in our Social Investment Insights Series**, which outline the potential for social investment to address key social issues

**Pre Due Diligence Screen and our Social Impact Tests** published which outline how we consider impact for different types of deals

### 2. BUILDING EVIDENCE

**PEER FORUM**

set up for fund managers to share best practice

**5 ORGANISATIONS**

given specialist social impact support through research placements

**Standard monitoring requirements implemented** for new deals

### 3. SHARING LEARNING

**Big Society Capital's first impact report published** to showcase how social investment can help charities and social enterprises to deliver social change

**Impact reports, tools and resources added to website** to help charities and social enterprises measure their impact

**8 new case studies** published bringing the total to **29**

### 4. SUPPORTING IMPACT INFRASTRUCTURE

**ACCESS**

**The Foundation for Social Investment** supported with developing its plans for providing future capacity building support for impact measurement



**OUTCOMES MATRIX**

**relaunched – a tool to support investors and social sector organisations** with defining, assessing and measuring their social impact. The new digital version makes it easier for organisations to build their own bespoke outcomes toolkit



[www.bigsocietycapital.com/what-we-do/champion/impact-tools](http://www.bigsocietycapital.com/what-we-do/champion/impact-tools)  
[www.goodfinance.org.uk/impact-matrix](http://www.goodfinance.org.uk/impact-matrix)

## KEY PROJECTS

As well as our ongoing programme of work, we also work on initiatives that we believe will make a significant difference to social investment.

This section provides a summary of some of the key projects for 2015. A full list of our current and previous projects is available on our website.



[www.bigsocietycapital.com/what-we-do/current-projects](http://www.bigsocietycapital.com/what-we-do/current-projects)

### PROJECT

#### POLICY, INFLUENCING AND ENGAGEMENT

We use our knowledge and expertise to help inform key consultations relating to a range of social issues. For example:

- **Following cuts to subsidies that were supporting innovative community energy initiatives we responded to the Government's consultation.** We emphasised the positive impact that community energy has across the country and proposed how the scheme can be tailored to support community energy initiatives that make a genuine positive impact.
- **We gave evidence to the Work and Pensions Select Committee inquiry on welfare-to-work programmes**, highlighting the need to adequately fund programmes to support the "hardest to help" – essential if charities and social enterprises are to successfully play any role in future payments by results contracts in this area.
- **We submitted a proposal to the Spending Review calling for a Local Outcomes Fund** to expand the use of outcome-based commissioning in supporting young people at risk of not entering employment, homeless people, people in contact with mental health services and children at risk of going into care.

In Autumn 2015, the Government announced an £80 million Life Chances Fund to top up local initiatives aiming to improve outcomes for disadvantaged groups through outcome-based contracts.

- **We have engaged with policy makers and politicians around the potential for social investment to work in specific social issue areas, including publishing a pamphlet called "Investing in the Next Generation"** which brings together ideas from thought leaders on improving the lives of young people. This was launched at the Conservative Party Conference.



The challenge is not in finding those who can provide the innovative programming to achieve the outcomes or the investors who want to make a profit 'doing good' for young people; the challenge is in finding the commissioners who will unblock the market to ensure we improve social outcomes for young people.

**BARONESS DEBORAH STEDMAN-SCOTT**  
HOUSE OF LORDS, FORMER CEO OF  
TOMORROW'S PEOPLE

Writing in *Investing in the Next Generation*



**Catch 22**  
Business Impact  
Challenge entry

# WINNER



**2015 WINNER**  
OF THE BUSINESS IMPACT  
CHALLENGE WITH INTERSERVE  
AND CLUBFINANCE

## PROJECT

### RIISING TO THE CHALLENGE



The winners of our Business Impact Challenge 2015 will be helping change lives in Liverpool. Integrated services provider Interserve, finance broker ClubFinance and Catch 22, a social business delivering public services, won the challenge with their bid to create a Public Services Lab (The Lab). The innovative venture will help community organisations, charities and social enterprises to deliver on public service contracts at scale.

We are delighted to have won the Business Impact Challenge which could give us the opportunity to increase the capabilities of the voluntary, community and social enterprise sector and help deliver the social value which is at the heart of our business strategy.

**TIM HAYWOOD**  
INTERSERVE'S GROUP FINANCE DIRECTOR  
AND HEAD OF SUSTAINABILITY

#### About the Business Impact Challenge

The Challenge was launched to give private companies the chance to use their skills and resources to invest in social innovation. It is a tailored programme of activity and support for corporates to propose high-impact social investment ideas, working with charities and social enterprises.



[www.bigsocietycapital.com/  
business-impact-challenge](http://www.bigsocietycapital.com/business-impact-challenge)

Through our new website you can read more about our work and find the right person to talk to in your area of interest. We are committed to working in partnership and welcome ongoing feedback, input and challenge.

## PROJECT

### IMPROVING ACCESS TO SOCIAL FINANCE



In March 2015, Access - The Foundation for Social Investment, launched with a vital mission: to make it easier for charities and social enterprises to access social investment and in particular simple loans.

Access manages the £45 million Growth Fund supported by a £22.5 million grant from the Big Lottery Fund, matched by at least £22.5 million in loan funds from Big Society Capital. The fund enables social lenders to offer affordable unsecured loans of under £150,000 in charities and social enterprises. Access also manages a £60 million spend-down endowment from Cabinet Office to support capacity building for charities and social enterprises.

I hope that Access will be seen as a real partner for charities and social enterprises as we develop our work and share what we are learning about how mixing loans and grants can have the most impact.

**SEB ELSWORTH**  
CHIEF EXECUTIVE, ACCESS



[www.access-socialinvestment.org.uk](http://www.access-socialinvestment.org.uk)

## PROJECT

### INCREASING TRANSPARENCY

How can we help more people access quality information about social investment? What can we do to champion wider transparency across the market? These are just some of the questions we set out to answer with our open conversation on transparency.

We received twelve written responses from stakeholders through our website, discussed our proposals in greater detail with ten of our fund manager investees and convened a small roundtable of experts to better understand the data infrastructure needed. With this input, we committed to a range of new measures to increase transparency including to:

- Publish historical deal-level data up to September 2015 on the investments made into charities and social enterprises and continue to publish twice yearly
- Publish the characteristics of each investment we make
- Publish a list of our market championing projects

These measures are just the first steps towards a future where transparency is embedded in social investment. We continue to engage our stakeholders in how we can further improve transparency and make sure it is at the heart of everything we do.



[www.bigsocietycapital.com/what-we-do/current-projects/transparency](http://www.bigsocietycapital.com/what-we-do/current-projects/transparency)

# THE RESOURCES WE USED TO DRIVE CHANGE

We're dedicated to delivering positive change through all aspects of our work. We make sure we attract the right people with the right skills, so we can make a difference. This means acting responsibly and having a positive impact in all that we do as a business and beyond.



**HCT**  
which received investment from FSE's Social Impact Accelerator Fund

## 28 CHARITABLE ORGANISATIONS

were supported by our staff acting as Trustees or in other governance roles outside of their work commitments and on a voluntary basis. We actively support our staff to do this, providing additional time off for volunteering.

**4** social enterprises in our supply chain



## IN 2015 WE MOVED OFFICES



As part of our commitment to environmental sustainability our new offices have been **designed to achieve a 'Very Good' standard for sustainability** and has the second from highest rating for energy performance. Features of the building include solar panels and bird houses on the roof.

## 52 HOURS

of free meeting room space given to charities and social enterprises



I just wanted to say a big thank you for letting us use the board room for our awayday. It turned into a very productive day for us. Really great you have the ability to host these kind of events now.

**CHRIS ALLCHIN** TRUSTEE,  
PURSUING INDEPENDENT PATHS  
(A LEARNING DISABILITY CHARITY)

Our full audited Report and Financial Statements for the year ended 31 December 2015 are available on our website. Summary financial data is shown here.

## PROFIT AND LOSS

for the year ended 31 December 2015

These are our main investments which you can read about on pages 20-27. The losses on the social investment portfolio reflect the early stage of our investments. We are currently incurring set-up costs and management fees, as well as valuation changes, but there is not yet sufficient corresponding income.

This is the money we hold before it is drawn down into social investments. In 2016 the treasury portfolio has moved to a new investment manager moving our criteria from negative screening to a more positive social and ethical approach.

In order to support our activities our average staff numbers increased from 33 in 2014 to 39 in 2015.

In line with our plans our costs have increased in 2015, mainly due to higher premises and related office costs.

Our long-term aim is to be self-sufficient. However, our business plan shows that we will make losses for the initial few years, while we champion and build the market and make early stage investments. In later years, as the portfolio matures, the investments are forecast to make returns to cover the operational and championing costs and generate a financial return.

	2015 £ 000	2014 £ 000
<b>Social Investment Portfolio</b>		
Fair value adjustments on investments:		
- Management fees and expenses paid to intermediaries	(2,694)	(1,865)
- Valuation changes and income relating to underlying investments	(1,481)	(147)
Interest, fee and dividend income	721	486
	(3,454)	(1,526)
<b>Treasury Portfolio</b>		
Fair value adjustments on investments	619	3,037
Interest income	1,739	1,354
	2,358	4,391
Staff costs	(2,655)	(2,376)
Other expenses	(2,998)	(2,187)
<b>Loss on ordinary activities before taxation</b>	<b>(6,749)</b>	<b>(1,698)</b>
Taxation	(31)	5
<b>Loss for the financial year</b>	<b>(6,780)</b>	<b>(1,693)</b>



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## BALANCE SHEET

as at 31 December 2015

	2015 £ 000	2014 £ 000
<b>Fixed assets</b>		
Tangible assets	312	78
Social investment portfolio	78,415	33,607
	<b>78,727</b>	<b>33,685</b>
<b>Current assets</b>		
Debtors	779	933
Current assets held in our treasury portfolio	204,214	235,729
Cash at bank and in hand	62,869	31,240
	267,862	267,902
Creditors: amounts falling due within one year	(2,489)	(1,796)
<b>Net current assets</b>	<b>265,373</b>	<b>266,106</b>
<b>Total assets less current liabilities</b>	<b>344,100</b>	<b>299,791</b>
Creditors: amounts falling due after more than one year	-	(27)
Deferred taxation	(34)	(4)
<b>Net assets</b>	<b>344,066</b>	<b>299,760</b>
<b>Capital and reserves</b>		
Called up share capital	356,547	305,461
Profit and loss account	(12,481)	(5,701)
<b>Total equity</b>	<b>344,066</b>	<b>299,760</b>

THE TOTAL NUMBER OF STAFF  
PAID MORE THAN £60,000 WERE:

	2015 Number	2014 Number
£60,000 - £69,999	6	9
£70,000 - £79,999	4	3
£80,000 - £89,999	1	1
£90,000 - £99,999	1	2
£100,000 - £109,999	2	2
£140,000 - £149,999	1	1

7.02

The ratio of highest  
salary to lowest salary



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